

TSANTSABANE MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2017/18 TO 2019/20

ANNUAL BUDGET OF

TSANTSABANE MUNICIPALITY

2017/18 TO 2019/20
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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List of documents attached

Full Tariff List

Detail Capital Budget

Budget Assumptions

Abbreviations and Acronyms

BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
IDP	Integrated Development Strategy	PTIS	Public Transport Infrastructure System
IT	Information Technology	RG	Restructuring Grant
kℓ	kilolitre	RSC	Regional Services Council
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

Part 1 – Annual Budget

1.1 Mayor's Report

Introduction

Fellow Councillors, Managers and Officials, we meet at this Council Chamber to table the Tsantsabane Municipality three-year budget for the 2017/2018, 2018/2019 and 2019/2020 financial years.

The budget has been informed by the key objectives as expressed in the Integrated Development Plan (IDP), with the emphasis being on expediting delivery of basic services.

Honourable Councillors, our town's Integrated Development Plan (IDP) 2016-2021 is a strategic document that clearly outlines the town's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning for our town within a five-year medium term period.

Outline of the Budget and IDP consultation process

Tsantsabane Municipality is committed to strengthening and extending public participation in its work. The right of communities to be heard, to be involved and to receive information is embedded in our approach to local governance.

Honourable Councillors, Section 5 (1) of the Municipal Systems Act of 2000 provides the following rights for members of a local community:

- (a) To submit written or oral recommendations to the municipal council or a political office bearer or to the administration of the municipality
- (b) The right to be informed of decisions of the municipal councils or another political structure or any political office bearer of the municipality, on matters affecting their rights, property and reasonable expectations.
- (c) To have access to information on the state of affairs of a municipality including its finances
- (d) To access municipal council and committees except when it is not reasonable to do so

Tsantsabane Municipality followed the following processes for consultation for the 2017/2018 budget and IDP:

- Initial advertisements in local media of dates, times and venues of consultation
- Held consultations with residents; non-governmental organisations, community-based organisations and labour; the women's sector; and business

The content of this consultation processes included the following:

- An overview of the 2017/2018 Budget and IDP
- Priority plans for 2017/2018
- The 2017/2018 tariffs
- 2017/2018 Mayoral Budget Speech

A brief outline of our 2017/2018 priorities and plans

I want to spend some time examining our priorities and plans for 2017/2018 financial year.

- **Effective financial management:**
We will continue with our effort on the management of billing, revenue and credit control to address the shortcomings identified by the Auditor General. We know about and remain aware of these issues and we are systematically addressing them in an on-going manner.
- **Sustainable development and environmental management:**
This is focused on implementing policies aimed at promoting sustainable development. We want to ensure that we plan and implement our policies in a way that ensures integration of all our local government economic, social and cultural programmes.
- **Doing the basics right:**
This includes removal and management of waste, cutting overgrown grass, functioning streetlights, fixing burst pipes and enforcing by-laws. A proper customer care system need to be developed and will assist in strengthening our implementation programmes.
- **Housing and Informal settlements:**
All informal settlements must be formalised within five years. The identification of the owner and registration of each shack, it's numbering, the demarcation and fencing of the yard, as well as the location of such a shack in an identifiable street will go a long way towards ensuring containment and safety. We remain committed to delivering quality and decent housing to all our people.

Balancing of budget - Tariff increases

It should be noted that the proposed increases are not happening in a vacuum, but are part and parcel of a long-term economic development plan that will deliver a Municipality which is effectively and efficiently run, with well-maintained services and facilities. The Municipality however, is affected by all sorts of external factors like inflation, to an extent by some national government policy decisions, certain international factors as well as the employment and affordability demographics of the Municipality's residents.

SERVICE	% INCREASE 2017/2018	
Rates	8.00%	
Electricity	2.00%	
Water	9.50%	
Refuse	7.80%	
Sewerage	8.60%	

Poverty relief

Honourable Councillors, this budget is targeted towards enhanced service delivery. As a Municipality we are continuously ensuring improved access to free basic services and dealing with backlogs in basic infrastructure. Several measures have also been taken to make the municipal account more affordable to poorer households.

Let's look at some of the measures we already have in place: These include:

- The first 6 kl of water is free to all registered indigent households.
- The first 50kwh of electricity is free to all registered indigent households.
- The first **R30,000.00** of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act (2004).
- Registered Indigent Households receive an additional 10% rebate on property rates.
- We have introduced a number of extensions in deadlines to allow struggling ratepayers ample time to settle their debts;

Financial matters

The Equitable Share allocation from national Government has increased from R30,151 million in 2016/17 to R32,206 million in 2017/18, an increase of R2.055 million. The bulk of the increase is being directed towards the provision of Basic Services.

One of the major institutional challenges faced by the municipality is the implementation of the Municipal Finance Management Act (MFMA). The MFMA is geared towards ensuring effective and efficient financial management and budgeting as a way of promoting transparency, participation and accountability of municipalities.

In its commitment to a more open and transparent approach to governance at all levels, the Department of Finance has introduced Generally Recognised Accounting Practice (GRAP), a more transparent style of reporting which sets out the financial position of a Municipality in a more meaningful and user friendly manner. Tsantsabane Municipality did compile GRAP Financial Statements for 2015/16.

Summary

It must be noted that this budget is cash driven and that it is critical that the forecasted debtor payment percentages must be met in order to ensure Council collects the necessary revenue to maximize service delivery. We need to roll out the pre-paid water system to all communities (Groenwater, Skeifontein, Jenn Haven, Maramane and all other communities within the boundaries of Tsantsabane Municipality to improve our cash flow situation.

I am positive that this budget will help to stabilise the cash flow situation of the Council, and that it will be instrumental in changing the lives for the better for the greater Tsantsabane community.

Conclusion

We are convinced that our management team, officials and workers are committed to serve and make a lasting contribution to improve the quality of life of every citizen. We may come from different political parties, argue and differ, but on the question of addressing the bread and butter issues, the challenges facing this local government in Tsantsabane, we should speak with one voice. Anything else should be unthinkable. We have come far, but there is still a lot to be done. We are here today, to commit ourselves to change the lives of our people for the better.

I am grateful to the members of the Financial Committee, Councillors, the Municipal Manager and the Management Team for their assistance and support during the year.

.....
MAYOR: M DANIELS

1.2 Council Resolutions

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Tsantsabane Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus/revisit, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Tsantsabane Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2017:
 - 2.1. the tariffs for property rates which are increasing on average by 8.0%; (Refer to tariff schedule.)
 - 2.2. the tariffs for electricity which on average rate increasing by 2.0%; (Refer to tariff schedule.) **NERS approved tariffs will apply.**
 - 2.3. the tariffs for the supply of water on average by 9.5%; (Refer to tariff schedule.)
 - 2.4. the tariffs for sanitation services on average by 8.6%; (Refer to tariff schedule.) and
 - 2.5. the tariffs for solid waste services which are increasing on average by 7.8%. (Refer to tariff schedule.)
3. The Council of Tsantsabane Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017 the tariffs for other services, which are increasing on average by 8,0% percent, as set out in the attached budget documentation.
4. To give proper effect to the municipality's annual budget, the Council of Tsantsabane Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's

funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The main items identified can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

National Treasury's MFMA Circulars No. 70, 72, 74, 75, 78, 79,85 and 86 were mainly used to guide the compilation of the 2017/18 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy;
- Aging roads, asbestos pipes, the capacity of the sewer work and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- **The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Similarly the effect of the water tariffs, as determined by the Sedibeng Water Board, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;**
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in an unhealthy financial position, however, it needs to at least stabilise and further strive to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is not achieving this objective. The Capital Replacement Reserve needs to be at a level where all capital spending should be funded from. Currently there are no funds in the CRR (Capital Replacement Reserve) to fund any capital projects.

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

NC085 Tsantsabane - Table A1 Consolidated Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	24 179	24 345	26 227	27 950	29 663	29 663	-	37 972	32 176	34 224
Service charges	81 452	79 004	79 506	88 093	89 777	89 777	-	115 450	136 812	166 771
Investment revenue	860	1 071	5 193	541	541	541	-	550	582	617
Transfers recognised - operational	38 169	31 866	51 934	35 713	36 046	36 046	-	37 118	39 988	43 319
Other own revenue	35 103	31 320	9 934	60 584	37 809	37 809	-	28 578	35 719	37 772
Total Revenue (excluding capital transfers and contributions)	179 763	167 607	172 794	212 880	193 835	193 835	-	219 668	245 277	282 704
Employee costs	46 655	53 668	62 387	74 730	76 384	76 384	-	71 867	76 101	80 667
Remuneration of councillors	3 831	2 944	3 172	3 205	4 005	4 005	-	4 957	5 249	5 564
Depreciation & asset impairment	26 083	7 604	24 063	7 713	7 713	7 713	-	11 575	12 258	12 993
Finance charges	4 334	2 545	7 116	5 249	5 249	5 249	-	5 000	5 295	5 613
Materials and bulk purchases	41 306	66 110	50 666	56 281	70 839	70 839	-	55 382	60 566	66 376
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	53 820	47 824	81 030	65 641	67 674	67 674	-	68 089	73 354	77 789
Total Expenditure	176 029	180 695	228 435	212 819	231 865	231 865	-	216 870	232 822	249 002
Surplus/(Deficit)	3 734	(13 088)	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Transfers and subsidies - capital (monetary alloc	23 319	15 744	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702

Total operating revenue has increase by R25,833 million or 13.32% for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 11.65% and 15.26% respectively, equating to a total revenue increase of R88,869 million over the MTREF when compared to the 2016/17 adjustment budget. The main reason for the increase in revenue is service charges and sale of available land (stands). The following areas will be included in the billing process:

Groenwater; Skeifontein; Jenn Have; Maremane and areas where no metering was done in the past.

Total operating expenditure for the 2017/18 financial year has been appropriated at R216,870 million and translates into a budgeted surplus of R2.798 million before capital transfers. When compared to the 2016/17 Adjustments Budget, operational expenditure has decreased by 6,47% in the 2017/18 budget and increases by 0,41% and 7,39% for each of the respective outer years of the MTREF. The operating surplus, before capital grant transfers, for the two outer years increases to R12.455 million for the 2018/19 financial year and then increases to R33.702 million for the 2019/20 financial year. The main reason is as follows:

- Strict control over the use of overtime.
- Budget for only critical employees to be appointed.
- Decrease in budget for purchase of water. (Maximize the usage of boreholes.)
- Decrease in provision for bad debt. (Implement pre-paid water system)
- Minimize the losses in electricity.
- Additional revenue. (Previously not billed)

The capital budget of R39.155 million for 2017/18 financial year is 9.9% more when compared to the 2016/17 Adjustment Budget. The capital programme further increases to R39.323 million in the 2018/19 financial year and then decreases in 2019/20 financial year to R38.111 million. A substantial portion of the capital budget will be funded from grants (R15.740 million 2017/18 MIG and R4,0 million Bulk Water) over the MTREF, own revenue (R2,042 million) and R16.5 million (Donations) making up the funding sources.

1.4 Operating Revenue Framework

For Tsantsabane Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of Tsantsabane municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges and will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- A financially sustainable municipality;
- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a **90,0** per cent annual collection rate for property rates and other key service charges. This percentage is high compared

- to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 6,1% per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal.

Tariffs are not cost reflected and needs to be cost reflected. The tariff increase will be more than the average inflation forecast.

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas.

Strategy
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity/water income as well as line-losses
Ensure an accurate and well maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality and cash-back all reserves

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):
(Excluding Capital Transfers)

NC085 Tsantsabane - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Notes: 1. Same as above. 2. Table A4 Consolidated Budgeted Financial Performance (Revenue and Expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	24 179	24 345	26 227	27 950	29 663	29 663	-	37 972	32 176	34 224
Service charges - electricity revenue	2	38 010	38 176	34 364	45 768	45 768	45 768	-	49 011	61 104	80 507
Service charges - water revenue	2	18 975	18 130	18 625	23 939	23 939	23 939	-	35 816	40 606	45 531
Service charges - sanitation revenue	2	13 468	14 012	15 875	10 915	11 518	11 518	-	16 950	18 452	20 309
Service charges - refuse revenue	2	10 999	8 686	10 641	7 471	8 552	8 552	-	13 673	16 650	20 424
Service charges - other											
Rental of facilities and equipment		293	143	379	374	374	374		347	367	389
Interest earned - external investments		860	1 071	5 193	541	541	541		550	582	617
Interest earned - outstanding debtors											
Dividends received											
Fines, penalties and forfeits		81	91	197	318	318	318		700	741	786
Licences and permits		263	211	1 784	493	493	493		438	464	492
Agency services		637			848	848	848		-	-	-
Transfers and subsidies		38 169	31 866	51 934	35 713	36 046	36 046		37 118	39 988	43 319
Other revenue	2	4 829	15 479	7 574	10 051	17 776	17 776	-	12 093	18 262	19 268
Gains on disposal of PPE		29 000	15 395	-	48 500	18 000	18 000		15 000	15 885	16 838
Total Revenue (excluding capital transfers and contributions)		179 763	167 607	172 794	212 880	193 835	193 835	-	219 668	245 277	282 704

The growth in revenue contributions are indicated above (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but measured against other municipalities e.g. the Northern Cape, the percentage is relatively low and is a clear indication of the level of unemployment in the municipal area. Rates and service charge revenues are constant at about 50 per cent of the total revenue mix over the MTREF period. In the 2017/18 financial year, revenue from rates and services charges totalled R153.422 million or 69.84 per cent.

This increases to an estimated R168.988 million (68.9%) in (2018/19) and R200.995 million (71.1%) in (2019/20) over the respective financial years of the MTREF. A notable trend is therefore the increase in the total percentage revenue generated from rates and services charges. This growth can be mainly attributed to the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Revenue foregone, (mainly to the indigent) is estimated to equal about 6.0 per cent of billable revenue (2017/18), placing a strain on revenue sources. Details in this regard are contained below.

NC085 Tsantsabane - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		24 179	24 345	26 227	28 488	30 200	30 200		38 550	32 701	34 774
less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)					538	538	538		578	525	550
Net Property Rates		24 179	24 345	26 227	27 950	29 663	29 663	-	37 972	32 176	34 224
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		38 010	38 176	34 364	47 336	47 336	47 336		50 674	62 865	82 374
less Revenue Foregone (in excess of 50 kwh per indigent household per month)											
less Cost of Free Basis Services (50 kwh per indigent household per month)		-	-	-	1 568	1 568	1 568		1 663	1 761	1 867
Net Service charges - electricity revenue		38 010	38 176	34 364	45 768	45 768	45 768	-	49 011	61 104	80 507
Service charges - water revenue	6										
Total Service charges - water revenue		18 975	18 130	18 625	26 271	26 271	26 271		38 290	43 226	48 308
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)											
less Cost of Free Basis Services (6 kilolitres per indigent household per month)		-	-	-	2 332	2 332	2 332		2 474	2 620	2 777
Net Service charges - water revenue		18 975	18 130	18 625	23 939	23 939	23 939	-	35 816	40 606	45 531
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		13 468	14 012	15 875	14 050	14 653	14 653		18 190	19 765	21 701
less Revenue Foregone (in excess of free sanitation service to indigent households)											
less Cost of Free Basis Services (free sanitation service to indigent households)		-	-	-	3 135	3 135	3 135		1 240	1 313	1 392
Net Service charges - sanitation revenue		13 468	14 012	15 875	10 915	11 518	11 518	-	16 950	18 452	20 309
Service charges - refuse revenue	6										
Total refuse removal revenue		10 999	8 686	10 641	9 825	10 906	10 906		16 170	19 294	23 227
Total landfill revenue											
less Revenue Foregone (in excess of one removal a week to indigent households)											
less Cost of Free Basis Services (removed once a week to indigent households)		-	-	-	2 354	2 354	2 354		2 497	2 644	2 803
Net Service charges - refuse revenue		10 999	8 686	10 641	7 471	8 552	8 552	-	13 673	16 650	20 424

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R30 000
2	50 kWh free electricity per month
3	6 kiloliters of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month

Property rates is the 3rd largest revenue source, (excluding grants) and is source totalling 18.29% or R37.972 million. (After revenue forgone).

A new valuation roll was implemented as from the 1st July 2013. The supplementary valuation roll will be implemented during 2017. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Operating grants and transfers totals R37.691 million in the 2017/18 financial year and increase to R39.356 million by 2018/19. The grants increase to R42.368 million in 2019/20. Refer to table SA 18 under.

NC085 Tsantsabane - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		29 685	30 804	31 997	33 911	33 911	33 911	36 338	38 003	41 204
Local Government Equitable Share		26 145	27 070	28 192	30 151	30 151	30 151	32 206	35 403	38 344
Finance Management		1 650	1 800	1 875	2 010	2 010	2 010	2 345	2 600	2 860
Municipal Systems Improvement		890	934	930	750	750	750	787		
EPWP Incentive		1 000	1 000	1 000	1 000	1 000	1 000	1 000		
Provincial Government:		621	1 085	1 845	1 802	2 135	2 135	1 353	1 353	1 164
Library Development Grant		621	1 085	1 845	1 802	2 135	2 135	1 353	1 353	1 164
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	30 306	31 889	33 842	35 713	36 046	36 046	37 691	39 356	42 368
Capital Transfers and Grants										
National Government:		14 282	14 750	15 159	14 833	14 833	14 833	20 540	21 406	27 109
Municipal Infrastructure Grant (MIG)		14 282	14 750	15 159	14 833	14 833	14 833	15 740	16 406	17 109
Regional Bulk Infrastructure								4 800		
Regional Bulk Infrastructure									5 000	10 000
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	14 282	14 750	15 159	14 833	14 833	14 833	20 540	21 406	27 109
TOTAL RECEIPTS OF TRANSFERS & GRANTS		44 588	46 639	49 001	50 546	50 879	50 879	58 231	60 762	69 477

Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government.

The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis.

Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.1 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy but there are always situations where there are defaults on payment. Past experience indicates that contribution for bad debt over the revenue for rates, service charges and rent of facilities on credit percentage should not be more than 10 per cent, however, a cautionary approach is taken in this budget due to the signs of economic stress being experienced by the community.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA) Tsantsabane Municipality increase the value to R30 000;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R30 000;
- The limit for indigent households is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2017/18 financial year will be based on a general 8.0 per cent increase from 1 July 2017. A new valuation roll was implemented as from 1 July 2013. Tsantsabane Municipality did a supplementary valuation roll that will be implemented during 2017. The supplementary valuation roll will increase the revenue (property rates).

The proposed tariffs for 2017/18 are as follows:

Residential Properties	R0.00667/R value
Business Properties	R0.01000/R value
Mining Properties	R0.02669/R value
Agricultural Properties	R0.00040/R value (1 : 0.06)

1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains water from Sedibeng at a cost of **R9.47/kl.** (Vaal river water)(2017/18). The ground water tariff is R7.85/kl.

Furthermore, the water tariffs to the consumers are not cost reflective and as such the tariffs will increase substantially from the 2017/18, 2018/19 and 2019/20 financial years. The proposed tariffs for the 2017/18 financial year are as follows:

4. WATER		9.5%		
4.1. ALL USERS		2017/2018 Tariff	2016/17 Tariff	% Increase
4.1.1 Water				
0 - 06 Kiloliter	(6 kl)	12.23	11.17	10.50%
07 - 12 Kiloliter	(6 kl)	14.21	12.98	10.50%
13 - 30 Kiloliter	(18 kl)	16.64	15.20	10.50%
31 and more		22.77	20.79	10.50%
4.1.2 Hospitals, Old Age Homes Schools and Hostels				
R 10.23	per kiloliter		R 9.34	2016/17

Currently, Tsantsabane municipality cannot determine what the water losses are. The municipality need urgently to measure the losses. The outstanding water account form Sediben amounts to more than R16 million and needs urgent attention. If the water losses are minimised, the monthly bill of Sediben will decrease substantially. The municipality needs to ring-fence the water supply and determine what the actual cost per kl should be. Tsantsabane Municipality need to make use of their own boreholes to minimize the usage of Sedibeng water. We need to be less dependent on Sedibeng water in 2017/18 financial year.

The municipality needs continuously to explore ways to limit the water losses to an acceptable level. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure. The municipality will continue to monitor reasons for the excessive losses and to improve systems to limit the water losses to below 13%.

Sanitation fees

Similarly, the tariffs for sanitation are not cost reflective and may be subjected to significant increases. The proposed tariffs are listed below:

1. SEWERAGE 8.60%					
1.1. RESIDENTIAL AND ALL OTHER ERVEN NOT DESCRIBED BELOW					
	Area		2017/2018 Tariff	2016/17 Tariff	% Increase
#	Residential	Alle erwe	R 226.93	R 208.96	8.60%
		Guest Houses	R 566.62	R 521.75	8.60%
	Flats	Per Flat	R 226.93	R 208.96	8.60%
	Businesses	Alle besighede	R 566.62	R 521.75	8.60%
	Mall		R 8 357.68	R 7 695.84	8.60%
# An additional amount of R226.93 per unit will be levied on households with more than one living unit.					

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 8,0 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2017.

Considering the Eskom increases, the consumer tariff had to be increased by 1.88 per cent to offset the additional bulk purchase cost from 1 July 2017. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES

The tariffs will be included in the budget after NERSA approved the tariffs.

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to an estimate of 10%. The municipality does make a profit on electricity for the past years. According to the 2015/16 audited financial statements, the loss on the sale of electricity was R9 344 million.

The audited figures for the past three years are as follows:

Description	2012/13	2013/14	2014/15	2015/16
	R'000	R'000	R'000	R'000
Revenue	R38,648	R35,405	R38,238	R34,569
Expenditure	<u>R26,192</u>	<u>R28,681</u>	<u>R37,968</u>	<u>R45,586</u>
<u>Surplus/(Loss)</u>	R12,456	R 6,724	R 270	(R11,017)
Surplus as % of rev.	32.23%	18.99%	0.71%	31.87%

The loss on the electricity service is 31.87 per cent for 2015/16 financial year.

Electricity line losses are not continuously monitored. It can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as "acceptable" in the industry and Tsantsabane is well above that norm. Tsantsabane needs to take action and monitor the losses.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). A stepped tariff structure has been implemented as from 1 July 2013.

1.4.4 Waste Removal and Impact of Tariff Increases

Solid waste removal was operating at a surplus which indicates that the tariffs are cost reflective for 2012/13, 2013/14 and 2014/15. Refer to audited information under:

Refuse removal is running on a budgeted surplus of R4,787 million for the 2017/18 budget.

Description	2012/13	2013/14	2014/15	2015/16
	R'000	R'000	R'000	R'000
Revenue	R6,666	R10,110	R8,686	R14 726
Expenditure	<u>R5,968</u>	<u>R 8,973</u>	<u>R7,384</u>	<u>R23 291</u>
Surplus/(Deficit)	R 0,697	R 1,137	R1,302	(R8, 565)

The projected loss on waste removal service for 2015/16 is (R8.565) million. There is a surplus of R4.787 million for 2017/18, a surplus of R7.241 million for 2018/19 and a surplus of R10.450 million for 2019/20. It is widely accepted that the rendering of this service should at least break even, which is currently the case for the MTREF period.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to the expenditure are the general expenditure (rehabilitation cost) and the maintenance of the landfill site, diesel of vehicles, increases in the cost of remuneration of officials. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role in the projected losses or surpluses. *It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.*

Tsantsabane need the correct equipment to maintain the landfill site.

A general 7,8 per cent increase in the waste removal tariff is proposed as from 1 July 2017. Higher increases will not be viable in 2018/19 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6.1 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPI target of between 3 and 6 per cent.

The following table compares current and proposed amounts payable from 1 July 2017:

Comparison between current waste removal fees and increases

2. REFUSE	7.80%		
2.1. RESIDENTIAL	7.80%		
2.1.1	R 144.27	per home per month	R 133.83 2016/17
2.1.1.a	R 144.27	per additional living unit	
2.1.2	100% Rebate for registered indigents		
2.2.3	An additional rebate of 10% for pensioners subject to the following conditions as included in the budget, to differentiate between different consumer categories:		
1.	Applicant must be 60 years or older;		
2.	The applicant is living and receives a consumer account in the dwelling for the rebate requested.		
3.	A total household income of less than R28,800.00 per year.		
2.2. BUSINESSES	7.80%		
2.2.1	R 417.47	per point per month	R 387.26 2016/17
2.2.2	R 16 640.00	per maand vir Mall	R 16 314.28 2016/17
2.3. INDUSTRIAL	7.80%		
2.3.1	R 417.47	per point per month	387.26 2016/17
2.4. RUBBISH BINS	7.80%		
2.4.1	R 332.98		R 308.89 2016/17

1.4.5 Overall impact of tariff increases on households

Note that in all instances the overall impact of the tariff increases on household's bills has been about 7,6%.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circular 66, 67, 70, 72, 74, 75, 78, 79, 85 and 86;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

NC085 Tsantsabane - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Expenditure By Type											
Employee related costs	2	46 655	53 668	62 387	74 730	76 384	76 384	-	71 867	76 101	80 667
Remuneration of councillors		3 831	2 944	3 172	3 205	4 005	4 005		4 957	5 249	5 564
Debt impairment	3	19 146	11 357	39 820	10 800	10 800	10 800		11 353	12 023	12 744
Depreciation & asset impairment	2	26 083	7 604	24 063	7 713	7 713	7 713	-	11 575	12 258	12 993
Finance charges		4 334	2 545	7 116	5 249	5 249	5 249		5 000	5 295	5 613
Bulk purchases	2	37 807	62 219	50 666	46 292	60 850	60 850	-	45 300	49 924	55 098
Other materials	8	3 499	3 891		9 989	9 989	9 989		10 082	10 642	11 278
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	34 674	36 467	41 210	54 841	56 874	56 874	-	56 736	61 331	65 045
Loss on disposal of PPE											
Total Expenditure		176 029	180 695	228 435	212 819	231 865	231 865	-	216 870	232 822	249 002

The budgeted allocation for employee related costs for the 2016/17 financial year totals R76.867 million, which equals 32, 94 per cent of the total adjusted operating expenditure. This percentage increases to 33,14 per cent (2017/18) and 32,69 per cent (2018/19) and 32,40 per cent (2019/20) in the outer years of the MTREF period. Should debt impairment and depreciation be excluded, in order to compare it with other municipalities on an more equal basis, the costs represent 37,06 per cent (2017/18) of the expenditure and decrease to 36.49 per cent and decrease to 36.13 per cent in the outer years. Based on the guidance provided by National Treasury in Circular 58 and 67, salary increases have been factored into this budget at a percentage increase of 6,1 per cent for the 2017/18 financial year. An annual increase of 6.5 per cent (2018/19) and 6.6% (2019/20) has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R11,353 million and escalates to R12,022 million by (2018/19) and R12,744 million by (2019/20). While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R11,574 million for the 2017/18 financial year and equates to 5,34 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing and finance/operating leases (cost of capital). Finance charges make up just more than 1 per cent of operating expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represents 16.28 per cent (2017/18) of expenditure and increase to 16,38 per cent (2018/19) and 16,54 per cent (2019/20) in the outer years.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. mSCOA needs to be implemented by 30 June 2017. There is still challenges at the Municipality that needs to be solve before 30 June 2017.

Contracted services have been identified as a cost saving area for the Municipality. Management will in the budget year further investigate projects which can be used for contracted services as an extension of the Extended Public Works Program. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2017/18 financial year to identify alternative practices and procedures based on solid approved policies.

Other expenditure comprises of various line items relating to the daily operations of the municipality, but also operating grant expenditures. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. These expenditure items are listed below:

NC085 Tsantsabane - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Other Expenditure By Type											
Collection costs											
Contributions to 'other' provisions					936	936	936		849	899	953
Consultant fees		9 377									
Audit fees		3 828	6 040		2 875	2 875	2 875		3 050	3 230	3 424
General expenses	3	858	13 565	22 570	22 953	24 654	24 654		26 381	28 453	30 232
Repair and maintenance		3 498	5 453	18 640	9 989	9 989	9 989		10 082	10 642	11 278
Operating Grant Expenditure		3 434	5 306								
Advertising		257	239								
Advertising and Tourism					998	998	998		466	494	523
Bank charges		350	341		478	478	478		510	540	572
Chemicals		384	498		805	805	805		762	807	855
Cleaning material		108	54								
License fees		895			2 251	2 251	2 251		2 525	2 674	2 834
Entertainment cost		57	41		238	238	238		102	108	115
Gain on disposal/Fair value adj/Actuarial gains losses				-							
Insurance		305	317		925	925	925		979	1 036	1 098
License fees- vehicles											
Local Economic development					540	540	540		390	1 207	1 215
Motor vehicle expenses		1 989	3 135		2 168	2 168	2 168		2 208	2 338	2 478
Oil and Lubricants											
Postage		254	320		505	505	505		519	550	583
Printing and stationary		397			1 348	1 348	1 348		1 254	1 328	1 408
Professional and consultancy fees		6 919			2 508	2 508	2 508		3 208	3 397	3 601
Rental paid					105	105	105		170	180	191
ZFM District Contribution					1 168	1 168	1 168		-	-	-
Telephone cost		881	840		1 490	1 490	1 490		718	760	805
Valuation cost					314	314	314		330	349	370
Library Services						333	333				
Service charges											
S&T Allowances		883	318		2 247	2 247	2 247		2 234	2 338	2 508
Total 'Other' Expenditure	1	34 674	36 467	41 210	54 841	56 874	56 874	-	56 736	61 331	65 045
Repairs and Maintenance											
Employee related costs	8										
Other materials											
Contracted Services											
Other Expenditure		3 498	5 453	18 640	9 989	9 989	9 989	10 082	10 082	10 642	11 278
Total Repairs and Maintenance Expenditure	9	3 498	5 453	18 640	9 989	9 989	9 989	10 082	10 082	10 642	11 278

Main operational expenditure categories for the 2017/18 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy. **Council needs to adopt a repairs and maintenance plan for the Municipality.** In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented with mSCOA.

During the compilation of the 2017/18 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2016/17 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to departments:

Repairs and maintenance per department

MAINTENANCE			
	2017/18	2018/19	2019/20
RATES AND GENERAL	0	0	0
CEMETARY	8 000	8 472	8 980
LIBRARY	48 600	51 468	54 557
FIRE FIGHTING	45 000	47 655	50 514
COMMONAGE	5 000	5 295	5 613
CARAVAN PARK	110 300	116 808	123 816
MUNICIPAL BUILDINGS AND PROPERTY	472 000	499 848	529 839
PARKS AND RECREATION	232 000	245 688	260 430
HEALTH DEPARTMENT	0	0	0
PUBLIC WORKS AND STREETS	1 020 000	1 080 180	1 144 991
SEWERAGE PLANT - POSTMASBURG	1 078 000	1 141 602	1 210 098
SECURITY	0	0	0
TOWN PLANNING UNIT	0	0	0
MAYORAL OFFICE	0	0	0
CORPORATE SERVICES	341 897	326 952	344 613
HUMAN RESOURCES	0	0	0
MUNICIPAL MANAGER	311 246	329 610	349 386
COUNCIL GENERAL	0	0	0
FINANCIAL DEPARTMENT	105 000	111 195	117 866
SWIMMING POOL	167 000	176 853	187 464
RETICULATION NETWORK	366 000	387 594	410 850
TRAFFIC	196 100	207 670	220 129
REFUSE - POSTMASBURG	415 000	439 485	465 854
WORKSHOP	187 000	198 033	209 916
ELECTRICITY - POSTMASBURG	1 645 000	1 742 055	1 846 578
WATER - POSTMASBURG	3 329 000	3 525 411	3 736 936
HOUSING	0	0	0
	0	0	0
	10 082 143	10 641 874	11 278 430

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2017/18 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The indigent subsidy as a result of free basic services totals R7,874 million (2017/18) in the budget year and increasing to R8,339 million and R8,839 million in the outer years.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote for the 2017/18 financial year:

2016/17 Medium-term capital budget per vote

NC085 Tsantsabane - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community & Social Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Sport & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		22 298	38 037	15 398	14 833	14 833	14 833	-	15 740	16 406	17 109
Vote 8 - Electricity		-	-	-	-	-	-	-	-	5 000	10 000
Vote 9 - Water		-	-	-	-	-	-	-	21 300	15 840	9 120
Vote 10 - Waste Water Management		712	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 12 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 13 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 14 - Health		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	23 010	38 037	15 398	14 833	14 833	14 833	-	37 040	37 246	36 229
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	168	-	1 276	765	765	-	385	37	39
Vote 2 - Budget & Treasury		-	1 092	928	166	40	40	-	94	-	-
Vote 3 - Corporate Services		-	-	-	1 412	1 031	1 031	-	893	579	614
Vote 4 - Community & Social Services		-	-	-	81	81	81	-	73	134	144
Vote 5 - Sport & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	450	30	30	-	670	1 327	1 085
Vote 7 - Road Transport		-	-	-	-	-	-	-	-	-	-
Vote 8 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 9 - Water		-	-	-	-	-	-	-	-	-	-
Vote 10 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		168	-	-	-	-	-	-	-	-	-
Vote 12 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 13 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 14 - Health		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		168	1 259	928	3 385	1 947	1 947	-	2 115	2 077	1 882
Total Capital Expenditure - Vote		23 178	39 296	16 326	18 218	16 780	16 780	-	39 155	39 323	38 111

Tsantsabane Municipality experience serious cash flow problems and the allocation to the capital program is totally insufficient for all the expansions' that needs to take place. The second phase of the sewer treatment plant needs to be upgraded. The old infrastructure (asbestos pipes) needs to be replaced. The water storage capacity needs to be upgraded. Additional water sources needs to explore. The main roads need to be upgraded. Office space is a serious problem and additional offices need to be erected.

The SDF (special development framework) are in the process to be reviewed to determine where to develop. Land must be made available to developers and individuals for housing and businesses. Bulk services needs to be upgraded to accommodate all the developments. The bulk services fees increase from **R57 500.00** per stand to **R62 100.00** per stand. Council must not allow any development to take place if there is no service level agreement in place.

The allocation to roads amounts to R49,255 million over the MTREF, of which R15,740 million is allocated to the 2017/18 financial year, R16,406 million for the 2018/19 and R17,109 million to the 2019/20 year.

The municipality is experiencing difficulties with regards to the landfill site. The landfill site is not licenced/register and the property belongs to the National Government. The municipality needs to engage with the Provincial Government to transfer the property to the Municipality and licence the landfill site. This not only leaves the municipality with harming the environment, but also the prospect of incurring huge fines and is it necessary to ensure the municipality complies with all requirements. There is no budget provides for the MTREF to establishment a new landfill site.

Kolomela and Assmang needs to help the Municipality with the establishment of a licenced landfill site. The municipality need proper equipment (front-end-loader) and personnel to operate the landfill site.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table SA35.

NC085 Tsantsabane - Supporting Table SA35 Consolidated future financial implications of the capital budget

Vote Description	Ref	2017/18 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year	Budget Year	Budget Year	Forecast	Forecast	Forecast	Present
		2017/18	+1 2018/19	+2 2019/20	2020/21	2021/22	2022/23	value
R thousand								
Capital expenditure	1							
Vote 1 - Executive & Council		385	37	39	1 750	-		
Vote 2 - Budget & Treasury		94	-	-				
Vote 3 - Corporate Services		893	579	614	475	650	750	800
Vote 4 - Community & Social Services		73	134	144	7 000	7 500	4 500	5 000
Vote 5 - Sport & Recreation		-	-	-				
Vote 6 - Public Safety		670	1 327	1 085			1 250	1 450
Vote 7 - Road Transport		15 740	16 406	17 109	6 000	6 000	10 000	12 000
Vote 8 - Electricity		-	5 000	10 000	16 500	20 000	8 000	
Vote 9 - Water		21 300	15 840	9 120	6 000	-	30 000	40 000
Vote 10 - Waste Water Management		-	-	-	15 500	25 000	20 000	
Vote 11 - Waste Management		-	-	-	7 500			
Vote 12 - Housing		-	-	-		-		40 000
Vote 13 - Planning & Development		-	-	-	1 100	4 000		
Vote 14 - Health		-	-	-				
Vote 15 - Other		-	-	-				
List entity summary if applicable								
Total Capital Expenditure		39 155	39 323	38 111	61 825	63 150	74 500	99 250
Future operational costs by vote	2							
Vote 1 - Executive & Council		18 224	19 299	20 457	22 318	24 219	26 204	28 209
Vote 2 - Budget & Treasury		43 507	47 840	50 814	51 606	52 412	53 236	54 081
Vote 3 - Corporate Services		15 864	17 428	18 401	18 516	19 322	20 146	20 991
Vote 4 - Community & Social Services		5 965	6 317	6 696	6 729	7 535	8 359	9 204
Vote 5 - Sport & Recreation		9 241	9 786	10 373	10 485	11 291	12 115	12 960
Vote 6 - Public Safety		5 488	5 812	6 161	6 301	7 107	7 931	8 776
Vote 7 - Road Transport		15 667	15 403	16 328	16 468	17 274	18 098	18 943
Vote 8 - Electricity		43 959	47 294	50 894	51 034	51 840	52 664	53 509
Vote 9 - Water		25 717	28 444	31 567	31 707	32 513	33 337	34 182
Vote 10 - Waste Water Management		16 694	17 679	18 740	18 880	19 686	20 510	21 355
Vote 11 - Waste Management		11 382	12 054	12 777	12 917	13 723	14 547	15 392
Vote 12 - Housing		1 152	1 220	1 293	1 433	2 239	3 063	3 908
Vote 13 - Planning & Development		853	903	958	1 098	1 904	2 728	3 573
Vote 14 - Health		-	-	-	-	-	-	-
Vote 15 - Other		3 156	3 342	3 543	3 683	4 489	5 313	6 158
List entity summary if applicable								
Total future operational costs		216 870	232 822	249 002	253 174	265 553	278 250	291 240
Future revenue by source	3							
Property rates								
#REF!								
Service charges - electricity revenue					17 775	21 000	24 000	29 000
Service charges - water revenue					6 750	16 875	21 600	23 900
Service charges - sanitation revenue					17 438	17 885	18 200	18 850
Service charges - refuse revenue					8 438	11 985	12 052	14 215
Service charges - other								
Rental of facilities and equipment								
List other revenues sources if applicable								
List entity summary if applicable								
Total future revenue		-	-	-	50 400	67 745	75 852	85 965
Net Financial Implications		256 025	272 146	287 114	264 599	260 958	276 898	304 525

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18

budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

Table A1 - Budgeted Summary

NC085 Tsantsabane - Table A1 Consolidated Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	24 179	24 345	26 227	27 950	29 663	29 663	-	37 972	32 176	34 224
Service charges	81 452	79 004	79 506	88 093	89 777	89 777	-	115 450	136 812	166 771
Investment revenue	860	1 071	5 193	541	541	541	-	550	582	617
Transfers recognised - operational	38 169	31 866	51 934	35 713	36 046	36 046	-	37 118	39 988	43 319
Other own revenue	35 103	31 320	9 934	60 584	37 809	37 809	-	28 578	35 719	37 772
Total Revenue (excluding capital transfers and contributions)	179 763	167 607	172 794	212 880	193 835	193 835	-	219 668	245 277	282 704
Employee costs	46 655	53 668	62 387	74 730	76 384	76 384	-	71 867	76 101	80 667
Remuneration of councillors	3 831	2 944	3 172	3 205	4 005	4 005	-	4 957	5 249	5 564
Depreciation & asset impairment	26 083	7 604	24 063	7 713	7 713	7 713	-	11 575	12 258	12 993
Finance charges	4 334	2 545	7 116	5 249	5 249	5 249	-	5 000	5 295	5 613
Materials and bulk purchases	41 306	66 110	50 666	56 281	70 839	70 839	-	55 382	60 566	66 376
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	53 820	47 824	81 030	65 641	67 674	67 674	-	68 089	73 354	77 789
Total Expenditure	176 029	180 695	228 435	212 819	231 865	231 865	-	216 870	232 822	249 002
Surplus/(Deficit)	3 734	(13 088)	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Transfers and subsidies - capital (monetary alloc	23 319	15 744	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Capital expenditure & funds sources										
Capital expenditure	23 178	39 297	-	18 218	16 780	16 780	-	39 155	39 323	38 111
Transfers recognised - capital	23 010	39 129	-	14 833	14 833	14 833	-	20 540	21 406	27 109
Public contributions & donations	-	-	-	-	-	-	-	16 500	15 840	9 120
Borrowing	168	-	-	-	-	-	-	-	-	-
Internally generated funds	-	168	-	3 385	1 947	1 947	-	2 115	2 077	1 882
Total sources of capital funds	23 178	39 297	-	18 218	16 780	16 780	-	39 155	39 323	38 111
Financial position										
Total current assets	55 513	69 654	33 351	27 098	27 098	27 098	-	40 000	41 500	43 000
Total non current assets	845 785	872 557	589 529	953 903	801 013	801 013	-	806 100	808 000	812 000
Total current liabilities	90 713	105 507	111 440	55 300	55 300	55 300	-	100 300	86 200	81 700
Total non current liabilities	18 286	24 462	25 781	8 038	8 038	8 038	-	15 300	15 250	15 230
Community wealth/Equity	792 299	812 242	485 659	917 663	764 773	764 773	-	730 500	748 050	758 070
Cash flows										
Net cash from (used) operating	(21 162)	30 126	-	(15 092)	(22 682)	(22 682)	-	237 301	269 060	312 243
Net cash from (used) investing	5 822	(23 901)	-	48 500	18 000	18 000	-	5 147	1 862	2 094
Net cash from (used) financing	(1 016)	8 210	-	300	300	300	-	90	90	90
Cash/cash equivalents at the year end	(4 702)	9 734	-	31 408	27 026	27 026	-	242 538	513 550	827 977
Cash backing/surplus reconciliation										
Cash and investments available	16 114	11 312	11 190	12 000	12 000	12 000	-	13 000	13 500	14 000
Application of cash and investments	69 496	55 499	111 440	40 202	37 702	37 702	-	69 545	54 292	49 182
Balance - surplus (shortfall)	(53 382)	(44 186)	(100 250)	(28 202)	(25 702)	(25 702)	-	(56 545)	(40 792)	(35 182)

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
 - a. Financial management reforms emphasises the importance of the municipal budget being funded. The current budget (2017/18) is not fully funded as required by National Treasury. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF.
 - b. Capital expenditure should be balanced by capital funding sources. The CRR (capital replacement reserve) should be cash backed. Currently there are no funds in the CRR.
3. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently none of its obligations are cash-backed.

MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

NC085 Tsantsabane - Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		95 708	81 800	74 281	110 134	81 347	81 347	90 003	94 211	100 872
Executive and council		29 000	168	–	48 500	18 000	18 000	17 734	18 755	19 846
Finance and administration		66 708	81 632	74 281	61 634	63 347	63 347	72 269	75 456	81 026
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		8 351	974	2 317	2 467	2 800	2 800	2 220	2 451	2 608
Community and social services		622	1 947	1 816	2 079	2 412	2 412	2 079	2 301	2 450
Sport and recreation		–	12	379	244	244	244	141	149	158
Public safety		–	–	–	–	–	–	–	–	–
Housing		7 729	(985)	122	144	144	144	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		17 571	18 033	16 690	2 799	2 799	2 799	4 120	3 465	3 613
Planning and development		–	–	–	–	–	–	936	152	161
Road transport		17 571	18 033	16 690	2 799	2 799	2 799	3 184	3 313	3 452
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		81 451	82 544	79 506	97 481	106 889	106 889	123 325	145 151	175 611
Energy sources		38 010	38 734	34 364	47 336	55 061	55 061	50 674	62 865	82 374
Water management		18 975	18 130	18 625	26 271	26 271	26 271	38 290	43 226	48 308
Waste water management		13 468	14 012	15 875	14 050	14 653	14 653	18 192	19 765	21 701
Waste management		10 999	11 668	10 641	9 825	10 906	10 906	16 170	19 294	23 227
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	203 082	183 351	172 794	212 880	193 835	193 835	219 668	245 277	282 704
Expenditure - Functional										
<i>Governance and administration</i>		71 665	53 187	65 927	66 080	69 910	69 910	74 004	80 758	85 637
Executive and council		25 184	21 650	14 502	17 744	19 755	19 755	18 224	19 299	20 457
Finance and administration		46 481	31 537	51 425	48 335	50 155	50 155	55 780	61 459	65 180
Internal audit		–	–	–	–	–	–	–	–	–
<i>Community and public safety</i>		17 007	20 035	15 376	30 263	30 855	30 855	21 873	23 164	24 553
Community and social services		3 552	6 343	7 233	10 393	10 781	10 781	9 561	10 125	10 733
Sport and recreation		9 070	6 515	6 754	8 799	8 799	8 799	9 241	9 786	10 373
Public safety		3 657	5 518	96	8 970	9 173	9 173	1 919	2 032	2 154
Housing		–	–	1 293	1 258	1 258	1 258	1 152	1 220	1 293
Health		728	1 659	–	844	844	844	–	–	–
<i>Economic and environmental services</i>		13 481	14 358	11 838	20 464	20 514	20 514	23 240	23 429	24 834
Planning and development		–	–	–	1 774	1 789	1 789	4 004	4 246	4 500
Road transport		13 481	14 358	11 838	18 689	18 725	18 725	19 236	19 183	20 334
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		73 875	93 115	135 294	96 012	110 586	110 586	97 753	105 471	113 978
Energy sources		28 798	37 665	45 586	42 620	48 130	48 130	43 959	47 294	50 894
Water management		13 007	30 298	37 575	26 767	35 815	35 815	25 717	28 444	31 567
Waste water management		17 660	14 174	28 842	15 438	15 455	15 455	16 694	17 679	18 740
Waste management		14 411	10 978	23 291	11 187	11 186	11 186	11 382	12 054	12 777
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	176 029	180 695	228 435	212 819	231 865	231 865	216 870	232 822	249 002
Surplus/(Deficit) for the year		27 053	2 655	(55 641)	62	(38 030)	(38 030)	2 798	12 455	33 702

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC085 Tsantsabane - Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Vote 1 - Executive & Council		-	13	-	48 500	18 000	18 000	17 734	18 755	19 846
Vote 2 - Budget & Treasury		84 758	79 250	73 104	61 624	63 336	63 336	72 219	75 403	80 970
Vote 3 - Corporate Services		3 741	1 227	1 520	241	241	241	296	313	332
Vote 4 - Community & Social Services		673	1 963	1 763	1 848	2 181	2 181	1 828	2 036	2 169
Vote 5 - Sport & Recreation		12	171	36	231	231	231	141	149	158
Vote 6 - Public Safety		946	177	-	1 659	1 659	1 659	1 118	1 184	1 255
Vote 7 - Road Transport		24 200	18 455	16 690	1 140	1 140	1 140	2 210	2 281	2 358
Vote 8 - Electricity		38 010	40 883	34 364	47 336	55 061	55 061	50 674	62 865	82 374
Vote 9 - Water		18 975	18 153	18 625	26 271	26 271	26 271	38 290	43 226	48 308
Vote 10 - Waste Water Management		13 468	14 372	15 927	14 050	14 653	14 653	18 192	19 765	21 701
Vote 11 - Waste Management		10 999	8 686	10 641	9 825	10 906	10 906	16 170	19 294	23 227
Vote 12 - Housing		7 300	-	122	145	145	145	-	-	-
Vote 13 - Planning & Development		-	-	-	12	12	12	797	6	6
Vote 14 - Health		-	-	-	-	-	-	-	-	-
Vote 15 - Other		0	2	-	-	-	-	-	-	-
Total Revenue by Vote	2	203 082	183 351	172 794	212 880	193 835	193 835	219 668	245 277	282 704
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive & Council		20 819	10 609	13 290	17 744	19 755	19 755	18 224	19 299	20 457
Vote 2 - Budget & Treasury		56 894	25 876	40 168	35 402	37 196	37 196	43 507	47 840	50 814
Vote 3 - Corporate Services		7 191	8 208	9 365	15 588	15 640	15 640	15 864	17 428	18 401
Vote 4 - Community & Social Services		3 542	4 458	7 108	7 738	8 126	8 126	5 965	6 317	6 696
Vote 5 - Sport & Recreation		4 714	6 289	6 754	8 799	8 799	8 799	9 241	9 786	10 373
Vote 6 - Public Safety		3 519	4 387	1 988	7 432	7 487	7 487	5 488	5 812	6 161
Vote 7 - Road Transport		11 304	10 637	11 838	13 816	13 908	13 908	15 667	15 403	16 328
Vote 8 - Electricity		28 798	40 612	45 586	42 620	48 130	48 130	43 959	47 294	50 894
Vote 9 - Water		13 007	41 697	37 575	26 767	35 815	35 815	25 717	28 444	31 567
Vote 10 - Waste Water Management		13 151	15 060	28 842	15 438	15 455	15 455	16 694	17 679	18 740
Vote 11 - Waste Management		9 202	7 384	23 291	11 187	11 187	11 187	11 382	12 054	12 777
Vote 12 - Housing		845	2 196	1 293	1 257	1 257	1 257	1 152	1 220	1 293
Vote 13 - Planning & Development		-	-	125	4 292	4 300	4 300	853	903	958
Vote 14 - Health		728	549	640	844	844	844	-	-	-
Vote 15 - Other		2 315	2 734	572	3 894	3 965	3 965	3 156	3 342	3 543
Total Expenditure by Vote	2	176 029	180 695	228 435	212 819	231 865	231 865	216 870	232 822	249 002
Surplus/(Deficit) for the year	2	27 053	2 655	(55 641)	62	(38 030)	(38 030)	2 798	12 455	33 702

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

NC085 Tsantsabane - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

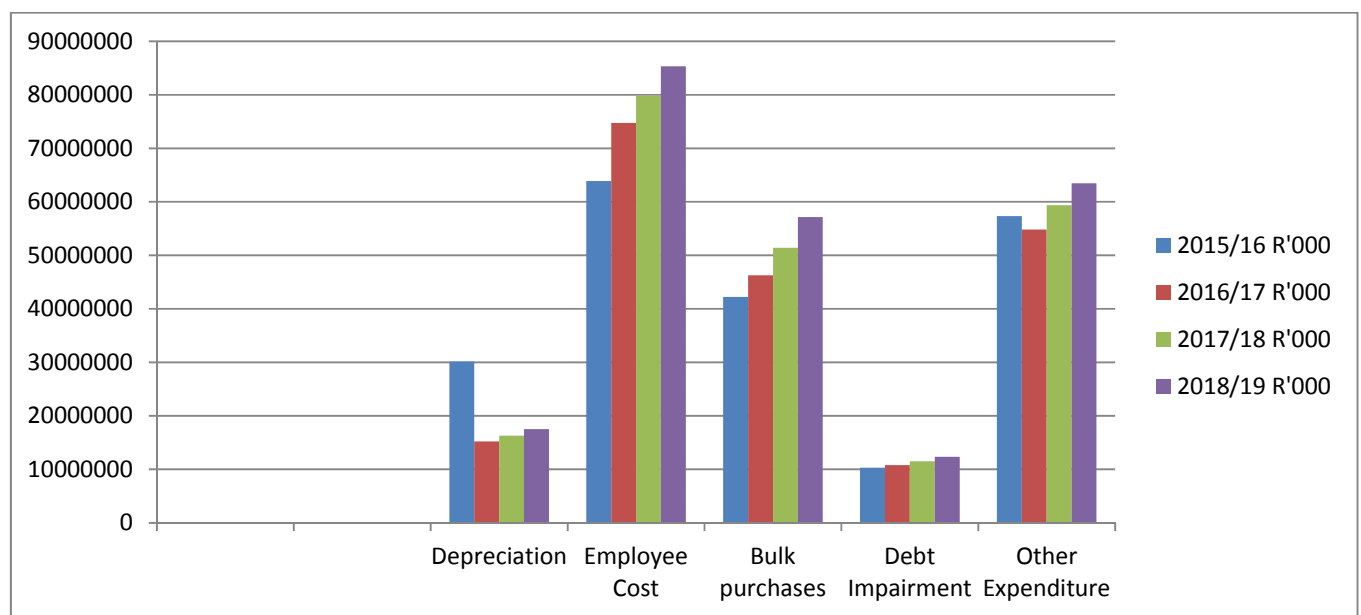
Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework			
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
Revenue By Source													
Property rates	2		24 179	24 345	26 227	27 950	29 663	29 663	-	37 972	32 176	34 224	
Service charges - electricity revenue	2		38 010	38 176	34 364	45 768	45 768	45 768	-	49 011	61 104	80 507	
Service charges - water revenue	2		18 975	18 130	18 625	23 939	23 939	23 939	-	35 816	40 606	45 531	
Service charges - sanitation revenue	2		13 468	14 012	15 875	10 915	11 518	11 518	-	16 950	18 452	20 309	
Service charges - refuse revenue	2		10 999	8 686	10 641	7 471	8 552	8 552	-	13 673	16 650	20 424	
Service charges - other													
Rental of facilities and equipment			293	143	379	374	374	374		347	367	389	
Interest earned - external investments			860	1 071	5 193	541	541	541		550	582	617	
Interest earned - outstanding debtors													
Dividends received													
Fines, penalties and forfeits			81	91	197	318	318	318		700	741	786	
Licences and permits			263	211	1 784	493	493	493		438	464	492	
Agency services			637			848	848	848		-	-	-	
Transfers and subsidies			38 169	31 866	51 934	35 713	36 046	36 046		37 118	39 988	43 319	
Other revenue	2		4 829	15 479	7 574	10 051	17 776	17 776	-	12 093	18 262	19 268	
Gains on disposal of PPE			29 000	15 395	-	48 500	18 000	18 000		15 000	15 885	16 838	
Total Revenue (excluding capital transfers and contributions)				179 763	167 607	172 794	212 880	193 835	193 835	-	219 668	245 277	282 704
Expenditure By Type													
Employee related costs	2		46 655	53 668	62 387	74 730	76 384	76 384	-	71 867	76 101	80 667	
Remuneration of councillors			3 831	2 944	3 172	3 205	4 005	4 005		4 957	5 249	5 564	
Debt impairment	3		19 146	11 357	39 820	10 800	10 800	10 800		11 353	12 023	12 744	
Depreciation & asset impairment	2		26 083	7 604	24 063	7 713	7 713	7 713	-	11 575	12 258	12 993	
Finance charges			4 334	2 545	7 116	5 249	5 249	5 249		5 000	5 295	5 613	
Bulk purchases	2		37 807	62 219	50 666	46 292	60 850	60 850	-	45 300	49 924	55 098	
Other materials	8		3 499	3 891		9 989	9 989	9 989		10 082	10 642	11 278	
Contracted services			-	-	-	-	-	-	-	-	-	-	
Transfers and subsidies			-	-	-	-	-	-	-	-	-	-	
Other expenditure	4, 5		34 674	36 467	41 210	54 841	56 874	56 874	-	56 736	61 331	65 045	
Loss on disposal of PPE													
Total Expenditure				176 029	180 695	228 435	212 819	231 865	231 865	-	216 870	232 822	249 002
Surplus/(Deficit)				3 734	(13 088)	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			23 319	15 744									
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher													
Transfers and subsidies - capital (in-kind - all)	6		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions				27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Taxation													
Surplus/(Deficit) after taxation				27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Attributable to minorities													
Surplus/(Deficit) attributable to municipality				27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702
Share of surplus/ (deficit) of associate	7												
Surplus/(Deficit) for the year				27 053	2 655	(55 641)	62	(38 030)	(38 030)	-	2 798	12 455	33 702

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, excluding capital transfers, is R219,668 million in 2017/18 and escalates to R245,277 million by 2018/19 and R282,704 million in 2019/20. This represents a year-on-year increase of 13.32 per cent for the 2017/18 and year-on-year increases of 11.65 per cent for the 2018/19 financial year and 15.25 per cent for the 2019/20 financial year.

2. Revenue to be generated from property rates is R37,972 million in the 2017/18 financial year and decreases to R32,176 million by 2018/19 and R34,224 million in the 2019/20 financial year. Revenue generated from property rates represents only 17,29 per cent (2017/18) of the operating revenue base of the Municipality. It remains relatively constant over the medium-term of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R153,422 million for the 2017/18 financial year and increasing to R168,988 million by 2018/19 and R200,995 million in 2019/20. For the 2017/18 financial year services charges amount to 69,78 per cent of the total revenue base and stays relatively constant over the MTREF period.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.

5. The following graph illustrates the major expenditure items per type:



Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2017/18 period escalating from R9,8 million to R38,550 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and

efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

NC085 Tsantsabane - Table A5 Consolidated Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		22 298	38 037	15 398	14 833	14 833	14 833	-	15 740	16 406	17 109
Vote 8 - Electricity		-	-	-	-	-	-	-	-	5 000	10 000
Vote 9 - Water		-	-	-	-	-	-	-	21 300	15 840	9 120
Vote 10 - Waste Water Management		712	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	23 010	38 037	15 398	14 833	14 833	14 833	-	37 040	37 246	36 229
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	168	-	1 276	765	765	-	385	37	39
Vote 2 - Budget & Treasury		-	1 092	928	166	40	40	-	94	-	-
Vote 3 - Corporate Services		-	-	-	1 412	1 031	1 031	-	893	579	614
Vote 4 - Community & Social Services		-	-	-	81	81	81	-	73	134	144
Vote 5 - Sport & Recreation		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	450	30	30	-	670	1 327	1 085
Vote 10 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		168	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		168	1 259	928	3 385	1 947	1 947	-	2 115	2 077	1 882
Total Capital Expenditure - Vote		23 178	39 296	16 326	18 218	16 780	16 780	-	39 155	39 323	38 111
Capital Expenditure - Functional											
Governance and administration		168	1 442	-	2 854	1 836	1 836	-	1 372	616	654
Executive and council		-	-	-	1 276	765	765	-	385	37	39
Finance and administration		168	1 442	-	1 578	1 071	1 071	-	987	579	614
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	1 184	-	531	111	111	-	743	1 461	1 229
Community and social services		-	841	-	81	81	81	-	73	134	144
Sport and recreation		-	206	-	-	-	-	-	-	-	-
Public safety		-	137	-	450	30	30	-	670	1 327	1 085
Economic and environmental services		22 298	13 506	-	14 833	14 833	14 833	-	15 740	16 406	17 109
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		22 298	13 506	-	14 833	14 833	14 833	-	15 740	16 406	17 109
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		712	22 750	-	-	-	-	-	21 300	20 840	19 120
Energy sources		-	2 500	-	-	-	-	-	-	5 000	10 000
Water management		-	6 230	-	-	-	-	-	21 300	15 840	9 120
Waste water management		712	8 500	-	-	-	-	-	-	-	-
Waste management		-	5 520	-	-	-	-	-	-	-	-
Other		-	415	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	23 178	39 297	-	18 218	16 780	16 780	-	39 155	39 323	38 111
Funded by:											
National Government		23 010	39 129	-	14 833	14 833	14 833	-	20 540	21 406	27 109
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	23 010	39 129	-	14 833	14 833	14 833	-	20 540	21 406	27 109
Public contributions & donations	5	-	-	-	-	-	-	-	16 500	15 840	9 120
Borrowing	6	168	-	-	-	-	-	-	-	-	-
Internally generated funds		-	168	-	3 385	1 947	1 947	-	2 115	2 077	1 882
Total Capital Funding	7	23 178	39 297	-	18 218	16 780	16 780	-	39 155	39 323	38 111

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2017/18 R39,155 million has been allocated of the total R116,589 million capital budget. This allocation increase to R39,323 million in 2018/19 and then to R38,111 million in 2019/20.
3. Single-year capital expenditure has been appropriated at R2,115 million for the 2017/18 financial year and remains relatively constant over the MTREF at levels of R2,077 million and R1,882 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses and is listed above.

MBRR Table A6 - Budgeted Financial Position

NC085 Tsantsabane - Table A6 Consolidated Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash											
Call investment deposits	1	16 114	11 312	11 190	12 000	12 000	12 000	-	13 000	13 500	14 000
Consumer debtors	1	39 398	58 342	22 161	15 098	15 098	15 098	-	27 000	28 000	29 000
Other debtors											
Current portion of long-term receivables											
Inventory	2										
Total current assets		55 513	69 654	33 351	27 098	27 098	27 098	-	40 000	41 500	43 000
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	845 785	872 557	589 529	953 903	801 013	801 013	-	806 100	808 000	812 000
Agricultural											
Biological											
Intangible											
Other non-current assets											
Total non current assets		845 785	872 557	589 529	953 903	801 013	801 013	-	806 100	808 000	812 000
TOTAL ASSETS		901 298	942 211	622 880	981 001	828 111	828 111	-	846 100	849 500	855 000
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	605	560	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	90 107	104 947	111 440	55 300	55 300	55 300	-	100 300	86 200	81 700
Provisions											
Total current liabilities		90 713	105 507	111 440	55 300	55 300	55 300	-	100 300	86 200	81 700
Non current liabilities											
Borrowing		898	6 321	3 329	4 888	4 888	4 888	-	4 750	4 500	4 250
Provisions		17 388	18 141	22 452	3 150	3 150	3 150	-	10 550	10 750	10 980
Total non current liabilities		18 286	24 462	25 781	8 038	8 038	8 038	-	15 300	15 250	15 230
TOTAL LIABILITIES		108 999	129 969	137 221	63 338	63 338	63 338	-	115 600	101 450	96 930
NET ASSETS	5	792 299	812 242	485 659	917 663	764 773	764 773	-	730 500	748 050	758 070
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		792 299	812 242	485 659	917 663	764 773	764 773	-	730 500	748 050	758 070
Reserves	4	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	792 299	812 242	485 659	917 663	764 773	764 773	-	730 500	748 050	758 070

Explanatory notes to Table A6 - Budgeted Financial Position

1. The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

MBRR Table A7 - Budgeted Cash Flow Statement

NC085 Tsantsabane - Table A7 Consolidated Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		-	19 457		25 155	23 730	23 730		37 972	32 176	34 224
Service charges		58 453	80 783	66 077	79 283	71 822	71 822		127 543	155 074	186 039
Other revenue		-	852		10 876	15 847	15 847		13 578	19 834	20 934
Government - operating	1	30 530	32 012	33 864	32 142	28 837	28 837		37 118	39 988	43 319
Government - capital	1			14 800	13 350	11 866	11 866		20 540	21 406	27 109
Interest		880	1 071	5 193	541	541	541		550	582	617
Dividends									-	-	-
Payments											
Suppliers and employees		(106 764)	(101 529)	(94 728)	(189 056)	(208 102)	(208 102)		(188 942)	(208 247)	(227 653)
Finance charges		(4 261)	(2 520)	(7 116)	(5 249)	(5 249)	(5 249)		(5 000)	(5 295)	(5 613)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		(21 162)	30 126	18 090	(32 959)	(60 708)	(60 708)	-	43 359	55 518	78 978
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		29 000	15 395	2 189	48 500	18 000	18 000		15 000	15 885	16 838
Decrease (Increase) in non-current debtors				(136)					(2 800)	(2 965)	(3 143)
Decrease (Increase) other non-current receivables				(440)					(8 553)	(9 058)	(9 601)
Decrease (Increase) in non-current investments				(2 623)					1 500	(2 000)	(2 000)
Payments											
Capital assets		(23 178)	(39 296)	(16 606)					(20 540)	(16 406)	(17 109)
NET CASH FROM/(USED) INVESTING ACTIVITIES		5 822	(23 901)	(17 616)	48 500	18 000	18 000	-	(15 393)	(14 544)	(15 015)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		32							-	-	-
Borrowing long term/refinancing			8 761						-	-	-
Increase (decrease) in consumer deposits				11 190	300	300	300		90	90	90
Payments											
Repayment of borrowing		(1 048)	(551)						-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1 016)	8 210	11 190	300	300	300	-	90	90	90
NET INCREASE/ (DECREASE) IN CASH HELD		(16 356)	14 435	11 664	15 841	(42 408)	(42 408)	-	28 056	41 064	64 053
Cash/cash equivalents at the year begin:	2	11 654	(4 701)		(2 300)	13 541	13 541		5 300	33 356	74 420
Cash/cash equivalents at the year end:	2	(4 702)	9 734	11 664	13 541	(28 867)	(28 867)	-	33 356	74 420	138 473

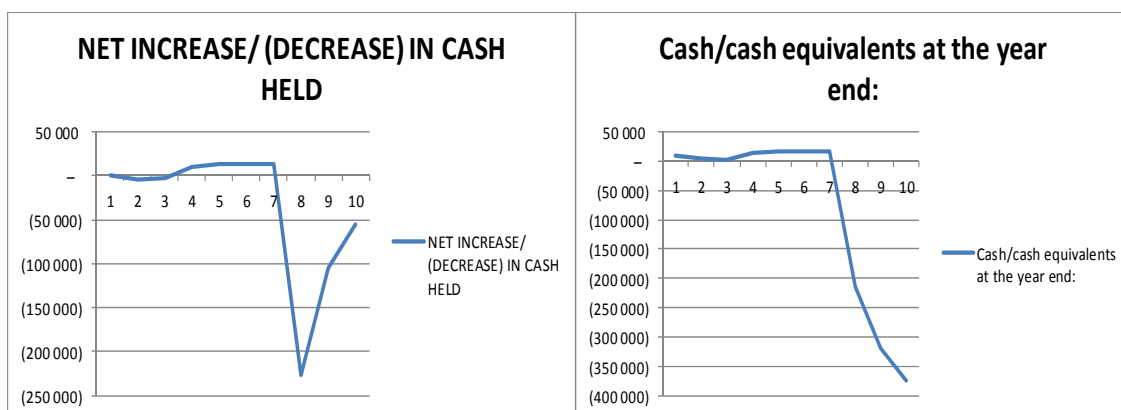
MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

NC085 Tsantsabane - Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	(4 702)	9 734	-	31 408	27 026	27 026	-	242 538	513 550	827 977
Other current investments > 90 days		20 816	1 579	11 190	(19 408)	(15 026)	(15 026)	-	(229 538)	(500 050)	(813 977)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		16 114	11 312	11 190	12 000	12 000	12 000	-	13 000	13 500	14 000
Application of cash and investments											
Unspent conditional transfers		18 587	2 898	1 688	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	49 149	49 334	109 752	37 702	37 702	37 702	-	69 545	54 292	49 182
Other provisions		1 760	3 267		2 500						
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		69 496	55 499	111 440	40 202	37 702	37 702	-	69 545	54 292	49 182
Surplus(shortfall)		(53 382)	(44 186)	(100 250)	(28 202)	(25 702)	(25 702)	-	(56 545)	(40 792)	(35 182)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



3. It can be seen that the cash levels of the Municipality is expected to fall significantly in the future.
4. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is not aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is not cash-funded and thus in compliance with the requirements of the MFMA.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

MBRR Table A9 - Asset Management

NC085 Tsantsabane - Table A9 Asset Management

Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	5 500	-	-	33 150	26 517	26 517	18 218	22 072	28 462
Infrastructure - Road transport		-	-	-	18 159	25 159	25 159	14 833	15 815	16 485
Infrastructure - Water		-	-	-	8 000	-	-	-	-	-
Infrastructure - Sanitation		5 500	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	80	-	-	-	-	-
Infrastructure		5 500	-	-	26 239	25 159	25 159	14 833	15 815	16 485
Community		-	-	-	2 761	44	44	-	-	-
Other assets	6	-	-	-	4 150	1 314	1 314	3 385	6 257	11 977
<u>Total Capital Expenditure</u>	4	-	-	-	18 159	25 159	25 159	14 833	15 815	16 485
Infrastructure - Road transport		-	-	-	8 000	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		5 500	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	80	-	-	-	-	-
Infrastructure		5 500	-	-	26 239	25 159	25 159	14 833	15 815	16 485
Community		-	-	-	2 761	44	44	-	-	-
Other assets		-	-	-	4 150	1 314	1 314	3 385	6 257	11 977
TOTAL CAPITAL EXPENDITURE - Asset class	2	5 500	-	-	33 150	26 517	26 517	18 218	22 072	28 462

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

Table A10 – Consolidated basic service delivery

Refer to table A10 under.

NC085 Tsantsabane - Table A10 Consolidated basic service delivery measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		8 487	8 510	8 805	8 955	8 955	8 955	9 105	9 112	9 192
Piped water inside yard (but not in dwelling)		760	1 622	1 795	2 172	2 172	2 172	3 197	3 208	3 058
Using public tap (at least min.service level)	2	300	200	200	100	100	100	212	222	226
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		9 547	10 332	10 800	11 227	11 227	11 227	12 514	12 542	12 476
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	9 547	10 332	10 800	11 227	11 227	11 227	12 514	12 542	12 476
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		7 007	7 865	8 330	8 497	8 497	8 497	8 647	8 654	8 734
Flush toilet (with septic tank)		50	1 622	1 772	1 807	1 807	1 807	1 957	2 107	2 258
Chemical toilet		600	200	200	204	204	204	204	204	204
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		7 657	9 687	10 302	10 508	10 508	10 508	10 808	10 965	11 196
Bucket toilet		300	300	300	300	300	300	150	30	–
No toilet provisions		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		300	300	300	300	300	300	150	30	–
Total number of households	5	7 957	9 987	10 602	10 808	10 808	10 808	10 958	10 995	11 196
Energy:										
Electricity (at least min.service level)		2 420	2 480	2 590	2 642	2 642	2 642	2 680	2 695	2 715
Electricity - prepaid (min.service level)		–	1 622	1 872	1 909	1 909	1 909	2 005	2 018	2 027
<i>Minimum Service Level and Above sub-total</i>		2 420	4 102	4 462	4 551	4 551	4 551	4 685	4 713	4 742
Electricity (< min.service level)		300	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		300	–	–	–	–	–	–	–	–
Total number of households	5	2 720	4 102	4 462	4 551	4 551	4 551	4 685	4 713	4 742
Refuse:										
Removed at least once a week		7 437	9 187	10 800	11 016	11 016	11 016	11 216	11 300	11 500
<i>Minimum Service Level and Above sub-total</i>		7 437	9 187	10 800	11 016	11 016	11 016	11 216	11 300	11 500
Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
No rubbish disposal		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	7 437	9 187	10 800	11 016	11 016	11 016	11 216	11 300	11 500
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free minimum level service)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed at least once a week)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		–	–	–	2 332	2 332	2 332	2 474	2 620	2 777
Sanitation (free sanitation service to indigent households)		–	–	–	3 135	3 135	3 135	1 240	1 313	1 392
Electricity/other energy (50kwh per indigent household per month)		–	–	–	1 568	1 568	1 568	1 663	1 761	1 867
Refuse (removed once a week for indigent households)		–	–	–	2 354	2 354	2 354	2 497	2 644	2 803
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		8 306	10 412	4 328	9 389	9 389	9 389	7 874	8 338	8 839
Total cost of FBS provided		8 306	10 412	4 328	18 777	18 777	18 777	15 748	16 677	17 678
Highest level of free service provided per household										
Property rates (R value threshold)		30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)		105	113	123	133	133	133	144	154	164
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		200	200	200	200	200	200	200	200	200
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		1 404	1 516	1 635	1 764	1 764	1 764	1 905	2 057	2 224
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		–	–	–	538	538	538	578	525	550
Water (in excess of 6 kilolitres per indigent household per month)		–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Total revenue cost of subsidised services provided		1 404	1 516	1 635	2 301	2 301	2 301	2 483	2 582	2 774

Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule during August 2017. Key dates applicable to the process were:

- **August 2017** – Joint strategic planning session of the Budget Steering Committee. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2017/18 MTREF;
- **November 2017** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **7 to 14 January 2018** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2018** – Multi-year budget proposals are submitted to the Budget and Steering committee.
- **29 January 2018** - Council considers the 2017/18 Mid-year Review and Adjustments Budget;

- **February 2018** - Recommendations of the Budget and steering committee. The draft 2018/19 MTREF is revised accordingly;
- **28 March 2018** - Tabling in Council of the draft 2018/19 IDP and 2018/19 MTREF for public consultation;
- **April 2018** – Public consultation;
- **09 May 2018** - Closing date for written comments;
- **12 to 24 May 2018** – finalisation of the 2018/19 IDP and 2018/19 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework;
- **Workshop councillors on the budget** – 26 May 2018 and
- **30 May 2018** - Tabling of the 2018/19 IDP and 2018/19 MTREF before Council for consideration and approval.
- Mayor sign the **SDBIP** and **performance contracts** of senior managers for 2018/19 by **16 June 2018**.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

This is the first review of the IDP as adopted by Council in May 2017. It started in 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70 and 72 has been taken into consideration in the planning and prioritisation process.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

2017/18 Financial Year	2017/18 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Tsantsabane principles through a caring, accessible and accountable service	4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide municipal planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS, to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Tsantsabane in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

NC085 Tsantsabane - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
Sustainable Services	Water			17 757	18 130	18 625	23 939	23 939	23 939	38 290	43 226	48 308	
	Electricity			37 404	38 176	34 364	45 768	45 768	45 768	50 674	62 865	82 374	
	Sanitation			9 969	14 012	10 641	10 915	11 518	11 518	16 170	19 294	21 701	
	Waste Management			8 016	8 686	15 875	7 471	8 552	8 552	18 192	19 765	23 227	
	Community & Social Services			673	1 925	1 736				1 969	1 996	2 126	
Infrastructure	Roads & Stormwater			25 146	18 455	16 690	231	231	231	2 210	2 281	2 358	
	Cemeteries			25	38	28	36	36	36	38	40	43	
	Housing			7 729	-		144	144	144	-	-	-	
	Integrated Planning			-			-			792	-	-	
Good Governance	Finance Management			51 433	70 583	61 513	61 624	63 337	63 337	72 219	75 403	80 970	
	Human Resource			3 480	887	1 177	-			50	53	56	
	Executive & Council			7 934	-	-	48 500	18 000	18 000	17 734	18 755	19 846	
Environmental Development	LED			-	-	-	-	-	-				
Social Development	Culture & Sport			12	-	-	-	-	-				
Safety & Security	Road Safety			25 146	-	-	-	-	-				
	Other				12 459	12 145	14 252	22 310	22 310	1 331	1 599	1 695	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	194 724	183 351	172 794	212 880	193 835	193 835	219 668	245 277	282 704

MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

NC085 Tsantsabane - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	
R thousand													
Sustainable Services	Water			13 007	41 697	37 575	26 767	35 815	35 815	25 717	28 444	31 567	
	Electricity			28 798	40 612	45 586	42 620	48 130	48 130	43 959	47 294	50 894	
	Sanitation			13 151	15 060	23 291	15 438	15 438	15 438	16 694	17 679	18 740	
	Waste Management			9 202	7 384	28 842	11 187	11 187	11 187	11 382	12 054	12 777	
	Health			728	549	640	844	844	844	–	–	–	
	Community & Social Services			3 542	4 458	3 598	6 476	7 910	7 910				
Infrastructure	Roads & Stormwater			11 303	10 637	11 838	13 816	13 908	13 908	15 667	15 403	16 328	
	Cemeteries			703	778	3 510	1 262	1 276	1 276	1 322	1 400	1 484	
	Housing			845	2 196	1 293	1 257	1 257	1 257	1 152	1 220	1 293	
	Integrated Planning					239	2 506	2 513	2 513	848	898	952	
Good Governance	Finance Management			31 125	25 876	40 168	35 402	35 402	35 402	40 707	44 875	47 671	
	Human Resource			2 225	2 365	2 542	4 720	4 720	4 720	4 581	4 872	5 163	
	Executive & Council			20 819	10 609	8 635	17 744	17 744	17 744	18 224			
Enviromental Development	LED												
Social Development	Culture & Sport			4 714	6 289	6 748	8 066	8 066	8 066	8 503	9 005	9 545	
Safety & Security	Road Safety			3 520	2 700	2 918	4 873	4 873	4 873	3 569	3 779	4 006	
	Other			25 769	9 486	11 013	19 839	22 780	22 780				
Allocations to other priorities				6 578									
Total Expenditure				1	176 029	180 696	228 435	212 819	231 865	231 865	192 324	186 923	200 420

MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

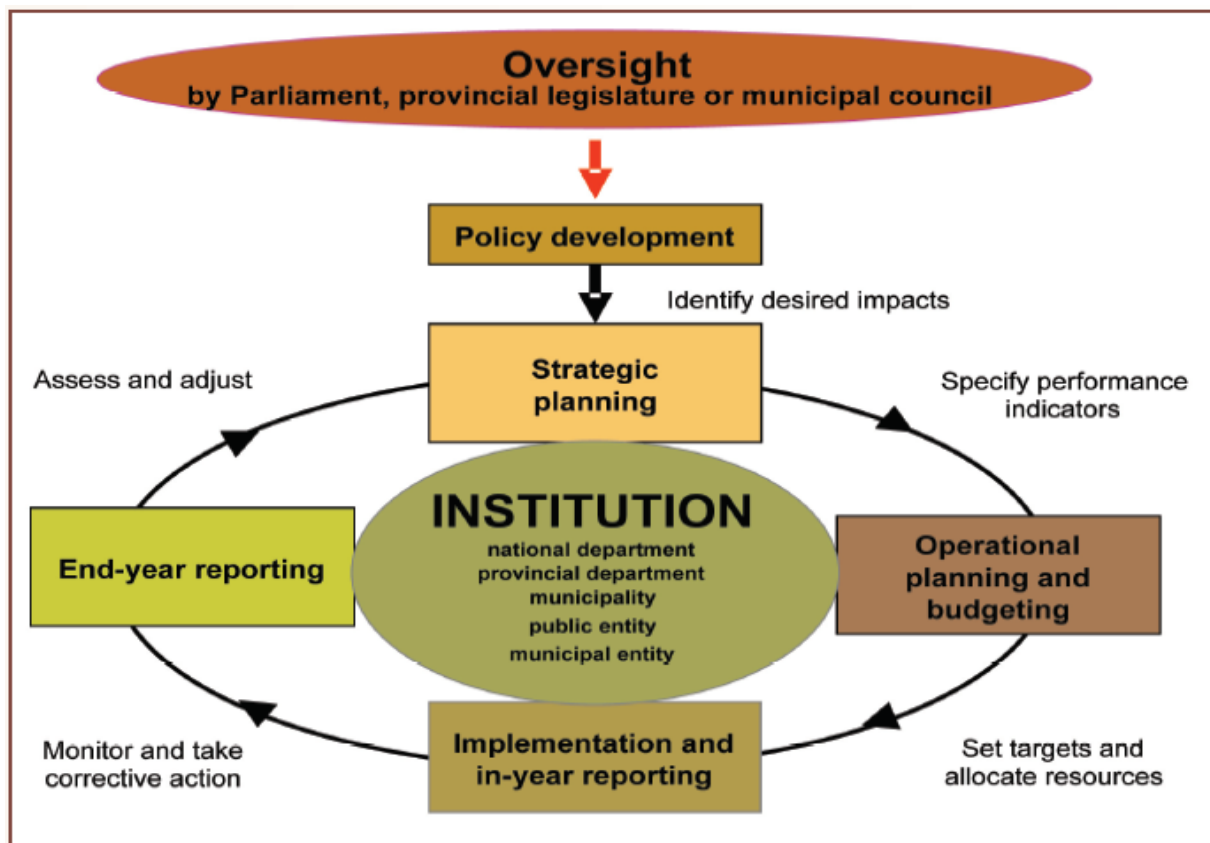
NC085 Tsantsabane - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand												
Sustainable	Water	A		6 230	795		8 000	–	–			
	Electricity	B		2 500	1 602							
	Sanitation	C		8 500								
	Waste Management	D		5 520	4 588	1 108	80	–	–			
	Health	E										
Infrastructure	Community	F		873			3 338	1 358	1 358			
	Roads & Stormwater	G		24 170	16 341	38 037	18 159	25 159	25 159	14 833	15 815	16 485
	Cemeteries	H		30								
Good Governance	Housing	I										
	Integrated Planning	J										
	Financial Management	K		1 917	62	62						
Economic Development	Human Resource	L		961								
	Executive and Council	M		842	89	89				950	4 000	10 000
	Local Economic Development	N										
Social Development	Culture & Sport	O		1 098								
Safety & Security	Road Safety			234								
	Disaster Management	P		24								
Allocations to other priorities			3		55		3 573			2 435	2 257	1 977
Total Capital Expenditure			1	52 898	23 532	39 296	33 150	26 517	26 517	18 218	22 072	28 462

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality with the help of the Municipal Manager, Mr HG Mathobela and the ZFM District Municipality/Kgatelopele Municipality, helped with the development and implemented a performance management system. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

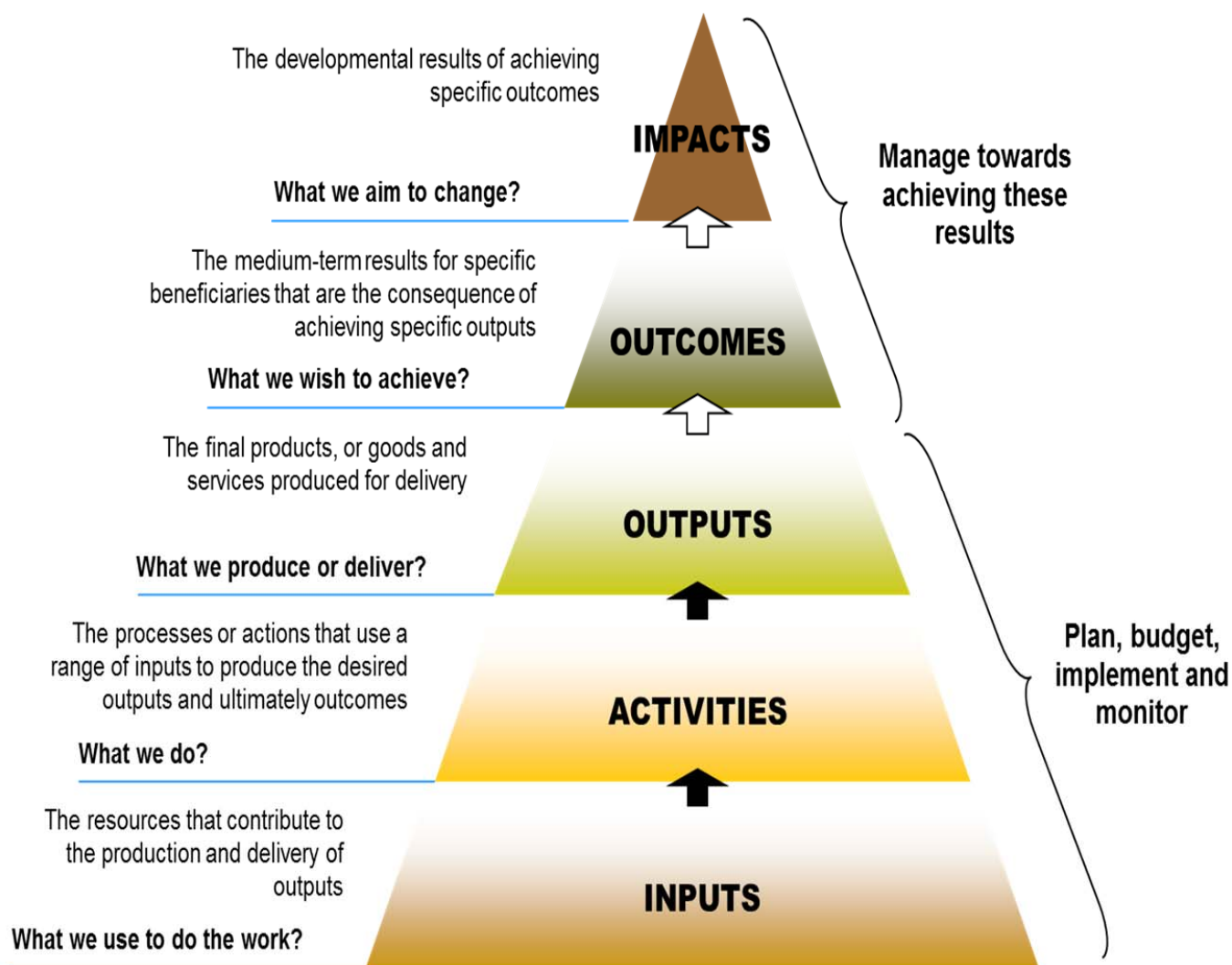
The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

MBRR Table SA7 - Measurable performance objectives

NC085 Tsantsabane - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Community Services										
Housing										
Eradication of Backlog										
<i>Provide RDP houses to community</i>	Complete houses	150 houses	43 houses	0	150	150	150	150	150	150
Finance Department										
Budget and Reporting										
<i>18 policies completed</i>	Policies	10	10	10	10	10	10	10	10	10
<i>12 By Laws completed</i>	By-Laws	14	14	14	14	14	14	14	14	14
<i>AFS</i>	AFS	1	1	1	1	1	1	1	1	1
<i>Section 71 Reports</i>	Reports	12	12	12	12	12	12	12	12	12
<i>Section 52(d) Reports</i>	Reports	1	4	4	4	4	4	4	4	4
<i>SDBIP</i>	Reports	1	1	1	1	1	1	1	1	1
<i>Annual Budget</i>	Budget	1	1	1	1	1	1	1	1	1
<i>Section 72 Report</i>	Report	1	1	1	1	1	1	1	1	1
<i>Spending of 95% of Capital Budget</i>	% Spending	95%	95%	95%	95%	95%	95%	95%	95%	95%
<i>75% Implementation of SCOA</i>	New System	0	0	0	100%	100%	100%			
<i>Tabling of Budget 31 March</i>	Draft Budget	1	1	1	1	1	1	1	1	1
<i>Approve Budget before 31 May</i>	Final Budget	1	1	1	1	1	1	1	1	1
<i>Supplementary valuation roll</i>	Valuation Roll		1	1	1	1	1	1	1	1
<i>100% Spending of MSIG and FMG as per Updated indigent register</i>	% Spending	100	100	100	100	100	100	100	100	100
	Indigent Register	1	1	1	1	1	1	1	1	1
Electrical Department										
Function 1 - Electricity										
Sub-function 1 - Provide higher levels										
<i>Houses electrified to eradicate backlogs</i>	Households	150	43	0	150	150	150	150	150	150
<i>Replace 450 new elect. meters</i>	Meters	0	0	45	45	45	45	100	100	100
Corporate Services										
Function 1 - Functional Administration										
Provide high levels of administration										
<i>Review all HR Policies</i>	Policies	12	8	25	25	25	25	25	25	25
<i>80% Spending of Capital Budget</i>	% Spending	41	27	45	45	45	45	80	80	80
<i>Annual Report</i>	Report	1	1	1	1	1	1	1	1	1
Community Services										
Function 1 - High level of service										
Sub-function 1 - Libraries										
<i>100% Spending of grant</i>	% Spending	100	83	100	100	100	100	100	100	100
<i>100% Spending of Capital Budget (Grant)</i>	% Spending	65	33	80	100	100	100	100	100	100
Sub-function 2 - Refuse Removal										
<i>80% Spending of Capital Budget</i>	% Spending	69	58	67	80	80	80	80	80	80
<i>1 x Maintenance Plan for Refuse Removal</i>	1 x Plan	1	1	1	1	1	1	1	1	1
<i>90% Spending of Maintenance Budget</i>	% Spending	81	92	90	90	90	90	90	90	90
Sub-function 3 - Halls										
<i>80% Spending of Capital Budget</i>	% Spending	67	12	35	80	80	80	80	80	80
<i>1 x Maintenance Plan for Refuse Removal</i>	1 x Plan									
<i>90% Spending of Maintenance Budget</i>	% Spending	61	66	70	90	90	90	90	90	90
Technical Services - Public Works										
Roads and Stormwaters										
Eradication of backlogs										
<i>Reduce roads backlogs</i>	km	2	2	1	2	2	2	2	2	2
<i>Stormwater drainage to reduce backlogs</i>	km	2	0	0	0					
<i>resurfaced roads</i>	km	2	0	0	0					
<i>100% Spending of MIG Funds</i>	% Spending	100	100	71	100	100	100	100	100	100
<i>90% Spending of Maintenance Budget</i>	% Spending	90	71	59	90	90	90	90	90	90
Water										
<i>New Connections</i>	No	8	5	8	150	150	150	150	150	150
<i>New pipelines</i>	Meter	8	0	8	1000	1000	1000	1500	1500	1500
<i>90% Spending of Maintenance Budget</i>	% Spending	90	78	92	90	90	90	90	90	90
Sewer										
<i>New households provided with sanitation connections</i>	No	150	49	150	150	150	150	150	150	150
<i>90% Spending of Maintenance Budget</i>	% Spending	90	70	90	90	90	90	90	90	90
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
And so on for the rest of the Votes										

1.10.1 Performance indicators and benchmarks

1.10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Tsantsabane Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is less than 1% throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality intend to borrow money from DBSA during the MTREF period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2017/18 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.10.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well above the norm, indicating a weak financial position.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the municipality is currently on 6 per cent and increasing to 6.2 per cent by 2017/18. This is again a clear indication of the municipality's financial weakness.

1.10.1.3 Liquidity

- The *liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

1.10.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 75 per cent which is a fairly conservative approach in order to cater for the current negative economic climate.

1.10.1.5 Creditors Management

- The Municipality did not managed to ensure that creditors are settled within the legislated 30 days of invoice. The liquidity ratio is of concern. This had an impact on suppliers' perceptions of risk of doing business with the Municipality.

1.10.1.6 Other Indicators

- The electricity/water losses have not been measured. The Municipality needs to measure all water and electricity losses.
- Employee costs as a percentage of operating revenue is fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

1.10.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the MTREF an estimate of 2,740 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

1.11 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.11.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2014 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. During April 2016, 718 households (Kolomela) 350 (Assmang) will change from conventional water meters to a pre-paid water system that will help with the cash flow of the Municipality.

The Municipality needs to change all water meters to smart water meters. The municipality will not be sustainable if we do not collect all the outstanding debt through the pre-paid water system.

1.11.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.11.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.11.4 Supply Chain Management Policy

The Supply Chain Management Policy was workshop by Council for approval during March/April 2016. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.11.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was workshop by council for approval during April 2016. All policies, will be tabled to the new council during April/May 2017.

1.11.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was approved by Council. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.11.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy (Reviewed during 2013);
- Funding and Reserves Policy;
- Borrowing Policy;

- Budget Policy; and
- Basic Social Services Package (Indigent Policy);
- Commitment Policy;
- Contingent Liability/Asset Policy;
- Events after reporting Date;
- Related Party Policy;
- Virement Policy
- Travel and Subsistence Policy;
- Sharing of responsibilities Policies.

1.12 Overview of budget assumptions

1.12.1 External factors

Domestically, after five years of strong growth, during which lot of jobs were created, our economy shrank fast and thousands of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2017 will be minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.12.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.12.3 Credit rating outlook

There is no credit rating for Tsantsabane Municipality.

1.12.4 Interest rates for borrowing and investment of funds

The municipality did not budget for any loan funding during the 2017/18 financial year. All outstanding borrowing (DBSA) was settled during September 2016. It is expected that interest rates will not be adjusted during the MTREF period.

1.12.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash inflow once the performance has been carefully monitored.

1.12.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.12.7 Salary increases

There is a collective agreement on salary increases in place for the budget year, and the guidance of 6,1% increase as contained in Circular 86 of National Treasury was not used to budget accordingly. We budget for an increase of 6,5%.

1.12.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.12.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 75 per cent is achieved on operating expenditure and 80 per cent on the capital programme for the 2017/18 MTREF of which performance has been factored into the cash flow budget.

1.13 Overview of budget funding

1.13.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

NC085 Tsatsabane - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

NC003 Tsantsabane - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	24 179	24 345	26 227	27 950	29 663	29 663	-	37 972	32 176	34 224
Service charges - electricity revenue	2	38 010	38 176	34 364	45 768	45 768	45 768	-	49 011	61 104	80 507
Service charges - water revenue	2	18 975	18 130	18 625	23 939	23 939	23 939	-	35 816	40 606	45 531
Service charges - sanitation revenue	2	13 468	14 012	15 875	10 915	11 518	11 518	-	16 950	18 452	20 309
Service charges - refuse revenue	2	10 999	8 686	10 641	7 471	8 552	8 552	-	13 673	16 650	20 424
Service charges - other											
Rental of facilities and equipment		293	143	379	374	374	374		347	367	389
Interest earned - external investments		860	1 071	5 193	541	541	541		550	582	617
Interest earned - outstanding debtors											
Dividends received											
Fines, penalties and forfeits		81	91	197	318	318	318		700	741	786
Licences and permits		263	211	1 784	493	493	493		438	464	492
Agency services		637			848	848	848		-	-	-
Transfers and subsidies		38 169	31 866	51 934	35 713	36 046	36 046		37 118	39 988	43 319
Other revenue	2	4 829	15 479	7 574	10 051	17 776	17 776	-	12 093	18 262	19 268
Gains on disposal of PPE		29 000	15 395	-	48 500	18 000	18 000		15 000	15 885	16 838
Total Revenue (excluding capital transfers and contributions)		179 763	167 607	172 794	212 880	193 835	193 835	-	219 668	245 277	282 704

Breakdown of operating revenue over the 2017/18 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;

- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

MBRR SA15 – Detail Investment Information

NC085 Tsantsabane - Supporting Table SA15 Investment particulars by type

Appendix 1: Supporting Table 1 - Investment particulars by type										
Investment type	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		16 114	11 312	11 190	12 000	12 000	12 000	13 000	13 500	14 000
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	16 114	11 312	11 190	12 000	12 000	12 000	13 000	13 500	14 000
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		16 114	11 312	11 190	12 000	12 000	12 000	13 000	13 500	14 000

MBRR SA16 – Investment particulars by maturity

None

1.13.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

MBRR Table A7 - Budget cash flow statement

NC085 Tsantsabane - Table A7 Consolidated Budgeted Cash Flows

Description		Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			-	19 457		25 155	23 730	23 730		37 972	32 176	34 224
Service charges			58 453	80 783	66 077	79 283	71 822	71 822		127 543	155 074	186 039
Other revenue			-	852		10 876	15 847	15 847		13 578	19 834	20 934
Government - operating		1	30 530	32 012	33 864	32 142	28 837	28 837		37 118	39 988	43 319
Government - capital		1			14 800	13 350	11 866	11 866		20 540	21 406	27 109
Interest			880	1 071	5 193	541	541	541		550	582	617
Dividends										-	-	-
Payments												
Suppliers and employees			(106 764)	(101 529)	(94 728)	(189 056)	(208 102)	(208 102)		(188 942)	(208 247)	(227 653)
Finance charges			(4 261)	(2 520)	(7 116)	(5 249)	(5 249)	(5 249)		(5 000)	(5 295)	(5 613)
Transfers and Grants		1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES			(21 162)	30 126	18 090	(32 959)	(60 708)	(60 708)	-	43 359	55 518	78 978
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			29 000	15 395	2 189	48 500	18 000	18 000		15 000	15 885	16 838
Decrease (Increase) in non-current debtors					(136)					(2 800)	(2 965)	(3 143)
Decrease (increase) other non-current receivables					(440)					(8 553)	(9 058)	(9 601)
Decrease (increase) in non-current investments					(2 623)					1 500	(2 000)	(2 000)
Payments												
Capital assets			(23 178)	(39 296)	(16 606)					(20 540)	(16 406)	(17 109)
NET CASH FROM/(USED) INVESTING ACTIVITIES			5 822	(23 901)	(17 616)	48 500	18 000	18 000	-	(15 393)	(14 544)	(15 015)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			32							-	-	-
Borrowing long term/refinancing				8 761						-	-	-
Increase (decrease) in consumer deposits					11 190	300	300	300		90	90	90
Payments												
Repayment of borrowing			(1 048)	(551)						-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES			(1 016)	8 210	11 190	300	300	300	-	90	90	90
NET INCREASE/ (DECREASE) IN CASH HELD			(16 356)	14 435	11 664	15 841	(42 408)	(42 408)	-	28 056	41 064	64 053
Cash/cash equivalents at the year begin:		2	11 654	(4 701)		(2 300)	13 541	13 541		5 300	33 356	74 420
Cash/cash equivalents at the year end:		2	(4 702)	9 734	11 664	13 541	(28 867)	(28 867)	-	33 356	74 420	138 473

1.13.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table does not meet the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

1.13.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality.

1.13.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.13.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.13.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality

be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.13.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a surplus of R60 663, a surplus of R107 349 (2017/18) and R155 774 (2018/19).

It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective.

1.13.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.13.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

1.13.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 5,79 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

1.13.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

1.13.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been

budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

1.13.4.10 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.13.4.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained elsewhere in this report.

1.13.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained elsewhere in this report.

1.14 Expenditure on grants and reconciliations of unspent funds

MBRR SA19 - Expenditure on transfers and grant programmes

NC085 Tsantsabane - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		29 685	30 804	31 997	33 911	33 911	33 911	36 338	38 003	41 204
Local Government Equitable Share		26 145	27 070	28 192	30 151	30 151	30 151	32 206	35 403	38 344
Finance Management		1 650	1 800	1 875	2 010	2 010	2 010	2 345	2 600	2 860
Municipal Systems Improvement		890	934	930	750	750	750	787	-	-
EPWP Incentive		1 000	1 000	1 000	1 000	1 000	1 000	1 000	-	-
Other transfers/grants [insert description]										
Provincial Government:		621	1 085	1 845	1 802	2 135	2 135	1 353	1 353	1 164
Health subsidy										
Housing										
Library Development Grant		621	1 085	1 845	1 802	2 135	2 135	1 353	1 353	1 164
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants		30 306	31 889	33 842	35 713	36 046	36 046	37 691	39 356	42 368
Capital expenditure of Transfers and Grants										
National Government:		14 282	14 750	15 159	14 833	14 833	14 833	20 540	21 406	27 109
Municipal Infrastructure Grant (MIG)		14 282	14 750	15 159	14 833	14 833	14 833	15 740	16 406	17 109
Regional Bulk Infrastructure								4 800	5 000	10 000
Regional Bulk Infrastructure										
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		14 282	14 750	15 159	14 833	14 833	14 833	20 540	21 406	27 109
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		44 588	46 639	49 001	50 546	50 879	50 879	58 231	60 762	69 477

1.15 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

NC085 Tsantsabane - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		1 760	1 868	2 235	2 199	2 199	2 199	2 206	2 357	2 519
Pension and UIF Contributions		204								
Motor Vehicle Allowance		546	624	709	603	603	603	713	762	814
Cellphone Allowance		116	159		269	269	269	285	305	326
Other benefits and allowances		-	181							
Sub Total - Councillors		2 626	2 831	2 944	3 071	3 071	3 071	3 205	3 423	3 659
% increase	4		7.8%	4.0%	4.3%	-	-	4.4%	6.8%	6.9%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		3 291	2 333	4 800	5 150	5 150	5 150	5 327	5 689	6 088
Performance Bonus		337		-	721	721	721	346	369	395
Motor Vehicle Allowance	3	-	976							
Other benefits and allowances	3	-	857	78						
Payments in lieu of leave		-	118							
Sub Total - Senior Managers of Municipality		3 628	4 284	4 878	5 871	5 871	5 871	5 673	6 059	6 483
% increase	4		18.1%	13.9%	20.4%	-	-	(3.4%)	6.8%	7.0%
Other Municipal Staff										
Basic Salaries and Wages		24 260	27 425	27 953	34 907	35 043	35 043	38 495	41 112	43 942
Pension and UIF Contributions		4 159	4 381	4 500	5 998	5 998	5 998	7 085	7 567	8 089
Medical Aid Contributions		2 649	1 719	1 862	2 607	2 607	2 607	1 940	2 071	2 214
Overtime		3 611	4 440	4 500	5 895	5 895	5 895	9 322	9 956	10 643
Motor Vehicle Allowance	3	2 264	2 927	4 370	4 250	4 250	4 250	5 713	6 102	6 523
Cellphone Allowance	3	175	17	4	158	158	158	463	495	529
Housing Allowances	3	128	64	70	130	130	130	2 021	2 169	2 318
Other benefits and allowances	3	5 047	2 397	2 586	3 876	3 876	3 876	4 012	4 274	4 570
Payments in lieu of leave		397								
Long service awards		11			52	52	52	6	6	7
Sub Total - Other Municipal Staff		42 702	43 370	45 846	57 873	58 009	58 009	69 057	73 753	78 836
% increase	4		1.6%	5.7%	26.2%	0.2%	-	19.0%	6.8%	6.9%
Total Parent Municipality		48 956	50 485	53 668	66 815	66 951	66 951	77 935	83 234	88 978
			3.1%	6.3%	24.5%	0.2%	-	16.4%	6.8%	6.9%
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		48 956	50 485	53 668	66 815	66 951	66 951	77 935	83 234	88 978
% increase	4		3.1%	6.3%	24.5%	0.2%	-	16.4%	6.8%	6.9%
TOTAL MANAGERS AND STAFF	5,7	46 330	47 654	50 724	63 744	63 880	63 880	74 730	79 811	85 319

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/senior managers)

NC085 Tsantsabane - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		601 881		26 400			628 281
Chief Whip								-
Executive Mayor			752 351		26 400			778 751
Deputy Executive Mayor								-
Executive Committee			1 128 525		52 800			1 181 325
Total for all other councillors			2 130 622		237 600			2 368 222
Total Councillors	8	-	4 613 378	-	343 200			4 956 578
Senior Managers of the Municipality	5							
Municipal Manager (MM)			1 455 435		26 400	-		1 481 835
Chief Finance Officer			1 091 576		19 200	-		1 110 776
								-
<i>List of each official with packages >= senior manager</i>								
Director community services			1 091 576		19 200	-		1 110 776
Director technical services			1 091 576		19 200	-		1 110 776
Director corporate services			1 091 576		19 200	-		1 110 776
								-
								-
Total Senior Managers of the Municipality	8,10	-	5 821 740	-	103 200	-		5 924 940
A Heading for Each Entity	6,7							
List each member of board by designation								
								-
								-
Total for municipal entities	8,10	-	-	-	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	10 435 119	-	446 400	-		10 881 519

1.16 Monthly targets for revenue, expenditure and cash flow

NC085 Tsantsabane - Supporting Table SA25 Consolidated budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
Revenue By Source																
Property rates		20 380	1 591	1 588	1 578	1 592	1 587	1 588	1 568	1 608	1 610	1 632	1 650	37 972	32 176	34 224
Service charges - electricity revenue		5 688	5 487	5 252	3 765	3 001	2 985	2 897	3 088	3 145	4 848	4 401	4 454	49 011	61 104	80 507
Service charges - water revenue		2 959	2 988	3 120	3 005	3 885	3 658	3 402	3 666	2 695	2 105	2 338	1 995	35 816	40 606	45 531
Service charges - sanitation revenue		1 413	1 413	1 413	1 413	1 413	1 413	1 413	1 413	1 413	1 413	1 413	1 413	16 950	18 452	20 309
Service charges - refuse revenue		1 140	1 165	1 139	1 140	1 147	1 150	1 138	1 160	1 158	1 142	1 099	1 095	13 673	16 650	20 424
Service charges - other													-	-	-	-
Rental of facilities and equipment		29	29	29	29	29	29	29	29	29	29	29	29	347	367	389
Interest earned - external investments		46	46	46	46	46	46	46	46	46	46	46	46	550	582	617
Interest earned - outstanding debtors													-	-	-	-
Dividends received													-	-	-	-
Fines, penalties and forfeits		58	63	65	58	62	65	57	54	55	65	55	43	700	741	786
Licences and permits		37	37	37	37	37	37	37	37	37	37	37	37	438	464	492
Agency services													-	-	-	-
Transfers and subsidies		15 880				11 988			9 250				-	37 118	39 988	43 319
Other revenue		1 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	1 008	12 093	18 262	19 268
Gains on disposal of PPE								5 000	2 500	2 500	2 500	2 500	-	15 000	15 885	16 838
Total Revenue (excluding capital transfers and contributions)		48 637	13 825	13 695	12 077	24 206	11 976	16 613	14 567	22 942	14 801	14 556	11 769	219 668	245 277	282 704
Expenditure By Type																
Employee related costs		5 849	5 855	5 888	5 902	6 802	6 325	5 899	5 915	5 814	5 799	5 985	5 834	71 867	76 101	80 667
Remuneration of councillors		413	413	413	413	413	413	413	413	413	413	413	414	4 957	5 249	5 564
Debt impairment		946	946	946	946	946	946	946	946	946	946	946	947	11 353	12 023	12 744
Depreciation & asset impairment		965	958	923	955	951	965	1 005	965	945	956	995	992	11 575	12 258	12 993
Finance charges		417	417	417	417	417	417	417	417	417	417	417	416	5 000	5 295	5 613
Bulk purchases		3 775	3 775	3 775	3 775	3 775	3 775	3 775	3 775	3 775	3 775	3 775	3 775	45 300	49 924	55 098
Other materials		840	840	840	840	840	840	840	840	840	840	840	841	10 082	10 642	11 278
Contracted services													-	-	-	-
Transfers and subsidies													-	-	-	-
Other expenditure		4 728	4 728	4 728	4 728	4 728	4 728	4 728	4 728	4 728	4 728	4 728	4 728	56 736	61 331	65 045
Loss on disposal of PPE													-	-	-	-
Total Expenditure		17 933	17 932	17 930	17 976	18 872	18 409	18 023	17 999	17 878	17 874	18 099	17 947	216 870	232 822	249 002
Surplus/(Deficit)																
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		30 704	(4 106)	(4 234)	(5 898)	5 335	(6 432)	(1 409)	(3 431)	5 065	(3 072)	(3 542)	(6 178)	2 798	12 455	33 702
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													-	-	-	-
Transfers and subsidies - capital (in-kind - all)													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions																
Taxation		30 704	(4 106)	(4 234)	(5 898)	5 335	(6 432)	(1 409)	(3 431)	5 065	(3 072)	(3 542)	(6 178)	2 798	12 455	33 702
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	30 704	(4 106)	(4 234)	(5 898)	5 335	(6 432)	(1 409)	(3 431)	5 065	(3 072)	(3 542)	(6 178)	2 798	12 455	33 702

References

1. Surplus (Deficit) must reconcile with Budgeted Financial Performance

MARCH 2017

check

MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

NC085 Tsantsabane - Supporting Table SA27 Consolidated budgeted monthly revenue and expenditure (functional classification)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
Revenue - Functional																
<i>Governance and administration</i>		14 363	5 077	5 100	5 090	14 442	5 019	5 093	4 193	15 459	4 963	5 566	5 638	90 003	94 211	100 872
Executive and council		1 488	1 478	1 492	1 435	1 421	1 409	1 488	1 498	1 485	1 408	1 495	1 637	17 734	18 755	19 846
Finance and administration		12 875	3 599	3 608	3 655	13 021	3 610	3 605	2 695	13 974	3 555	4 071	4 001	72 269	75 456	81 026
Internal audit																
<i>Community and public safety</i>		213	173	173	173	213	173	173	173	203	173	173	207	2 220	2 451	2 608
Community and social services		173	173	173	173	173	173	173	173	173	173	173	176	2 079	2 301	2 450
Sport and recreation		40				40				30			31	141	149	158
Public safety																
Housing																
Health																
<i>Economic and environmental services</i>		343	343	343	343	343	343	343	343	343	343	343	347	4 120	3 465	3 613
Planning and development		78	78	78	78	78	78	78	78	78	78	78	78	936	152	161
Road transport		265	265	265	265	265	265	265	265	265	265	265	269	3 184	3 313	3 452
Environmental protection																
<i>Trading services</i>		11 446	10 903	9 719	9 131	9 524	9 548	9 987	11 048	9 850	9 769	10 641	11 757	123 325	145 151	175 611
Energy sources		5 643	5 124	3 880	3 305	3 001	2 995	2 999	4 223	4 223	4 223	5 089	5 970	50 674	62 865	82 374
Water management		3 191	3 191	3 191	3 191	3 191	3 191	3 191	3 191	3 191	3 191	3 191	3 191	38 290	43 226	48 308
Waste water management		1 265	1 241	1 301	1 288	1 985	2 015	2 450	2 287	1 089	1 008	1 014	1 249	18 192	19 765	21 701
Waste management		1 348	1 348	1 348	1 348	1 348	1 348	1 348	1 348	1 348	1 348	1 348	1 347	16 170	19 294	23 227
<i>Other</i>																
Total Revenue - Functional		26 365	16 496	15 335	14 737	24 522	15 083	15 596	15 757	25 855	15 248	16 723	17 948	219 668	245 277	282 704
Expenditure - Functional																
<i>Governance and administration</i>		6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 167	6 168	74 004	80 758	85 637
Executive and council		1 519	1 519	1 519	1 519	1 519	1 519	1 519	1 519	1 519	1 519	1 519	1 520	18 224	19 299	20 457
Finance and administration		4 648	4 648	4 648	4 648	4 648	4 648	4 648	4 648	4 648	4 648	4 648	4 648	55 780	61 459	65 180
Internal audit																
<i>Community and public safety</i>		1 823	1 823	1 823	1 823	1 823	1 823	1 823	1 823	1 823	1 823	1 823	1 824	21 873	23 164	24 553
Community and social services		797	797	797	797	797	797	797	797	797	797	797	798	9 561	10 125	10 733
Sport and recreation		770	770	770	770	770	770	770	770	770	770	770	771	9 241	9 786	10 373
Public safety		160	160	160	160	160	160	160	160	160	160	160	160	1 919	2 032	2 154
Housing		96	96	96	96	96	96	96	96	96	96	96	96	1 152	1 220	1 293
Health																
<i>Economic and environmental services</i>		1 937	1 937	1 937	1 937	1 937	1 937	1 937	1 937	1 937	1 937	1 937	1 937	23 240	23 429	24 834
Planning and development		334	334	334	334	334	334	334	334	334	334	334	334	4 004	4 246	4 500
Road transport		1 603	1 603	1 603	1 603	1 603	1 603	1 603	1 603	1 603	1 603	1 603	1 603	19 236	19 183	20 334
Environmental protection																
<i>Trading services</i>		8 147	8 147	8 147	8 147	8 147	8 147	8 147	8 147	8 147	8 147	8 147	8 140	97 753	105 471	113 978
Energy sources		3 663	3 663	3 663	3 663	3 663	3 663	3 663	3 663	3 663	3 663	3 663	3 664	43 959	47 294	50 894
Water management		2 143	2 143	2 143	2 143	2 143	2 143	2 143	2 143	2 143	2 143	2 143	2 144	25 717	28 444	31 567
Waste water management		1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 392	1 382	16 694	17 679	18 740
Waste management		948	948	948	948	948	948	948	948	948	948	948	950	11 382	12 054	12 777
<i>Other</i>																
Total Expenditure - Functional		18 073	18 073	18 073	18 073	18 073	18 073	18 073	18 073	18 073	18 073	18 073	18 070	216 870	232 822	249 002
Surplus/(Deficit) before assoc.		8 293	(1 577)	(2 737)	(3 335)	6 450	(2 989)	(2 476)	(2 316)	7 782	(2 824)	(1 349)	(122)	2 798	12 455	33 702
Share of surplus/ (deficit) of associate																
Surplus/(Deficit)	1	8 293	(1 577)	(2 737)	(3 335)	6 450	(2 989)	(2 476)	(2 316)	7 782	(2 824)	(1 349)	(122)	2 798	12 455	33 702

MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC085 Tsantsabane - Supporting Table SA26 Consolidated budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand																
Revenue by Vote																
Vote 1 - Executive & Council		813				813			3 000	3 813	3 000	3 000	3 295	17 734	18 755	19 846
Vote 2 - Budget & Treasury		18 800	1 758	1 765	1 763	18 800	1 766	1 750	1 748	18 800	1 745	1 709	1 815	72 219	75 403	80 970
Vote 3 - Corporate Services						296							(0)	296	313	332
Vote 4 - Community & Social Services		152	155	153	150	163	158	152	140	140	148	161	156	1 828	2 036	2 169
Vote 5 - Sport & Recreation										141			-	141	149	158
Vote 6 - Public Safety		93	96	90	94	90	92	93	99	80	89	106	97	1 118	1 184	1 255
Vote 7 - Road Transport		185	182	186	188	169	199	205	201	166	174	126	229	2 210	2 281	2 358
Vote 8 - Electricity		5 688	5 487	5 252	3 765	3 001	2 985	2 897	3 088	3 145	4 848	5 201	5 317	50 674	62 865	82 374
Vote 9 - Water		2 959	2 988	3 120	3 005	3 885	3 658	3 402	3 666	2 885	3 002	2 725	2 995	38 290	43 226	48 308
Vote 10 - Waste Water Management		1 516	1 516	1 516	1 516	1 516	1 516	1 516	1 516	1 516	1 516	1 516	1 516	18 192	19 765	21 701
Vote 11 - Waste Management		1 347	1 349	1 344	1 348	1 346	1 344	1 349	1 352	1 355	1 340	1 339	1 357	16 170	19 294	23 227
Vote 12 - Housing													-	-	-	-
Vote 13 - Planning & Development		266				266				265			(0)	797	6	6
Vote 14 - Health													-	-	-	-
Vote 15 - Other													-	-	-	-
Total Revenue by Vote		31 819	13 531	13 426	11 829	30 345	11 718	11 364	14 810	32 306	15 862	15 883	16 776	219 668	245 277	282 704
Expenditure by Vote to be appropriated																
Vote 1 - Executive & Council		1 518	1 526	1 530	1 510	1 534	1 562	1 548	1 552	1 522	1 508	1 509	1 405	18 224	19 299	20 457
Vote 2 - Budget & Treasury		3 600	3 625	3 655	3 687	3 615	3 588	3 515	3 598	3 652	3 580	3 542	3 850	43 507	47 840	50 814
Vote 3 - Corporate Services		1 322	1 329	1 321	1 335	1 322	1 301	1 288	1 297	1 301	1 388	1 338	1 322	15 864	17 428	18 401
Vote 4 - Community & Social Services		498	488	490	492	514	485	489	499	485	472	552	501	5 965	6 317	6 696
Vote 5 - Sport & Recreation		771	770	708	715	821	789	758	779	784	825	799	722	9 241	9 786	10 373
Vote 6 - Public Safety		449	482	456	452	459	457	458	477	487	457	458	396	5 488	5 812	6 161
Vote 7 - Road Transport		1 305	1 305	1 305	1 305	1 305	1 305	1 305	1 305	1 305	1 305	1 305	1 312	15 667	15 403	16 328
Vote 8 - Electricity		3 099	3 750	4 970	3 663	3 675	3 702	3 912	3 588	3 475	3 494	3 540	3 091	43 959	47 294	50 894
Vote 9 - Water		1 580	1 966	1 966	1 998	2 010	2 882	2 884	2 143	2 265	2 145	2 100	1 778	25 717	28 444	31 567
Vote 10 - Waste Water Management		1 391	1 391	1 391	1 391	1 391	1 391	1 391	1 391	1 391	1 391	1 391	1 392	16 694	17 679	18 740
Vote 11 - Waste Management		949	949	949	949	949	949	949	949	949	949	949	949	11 382	12 054	12 777
Vote 12 - Housing		96	96	96	96	96	96	96	96	96	96	96	96	1 152	1 220	1 293
Vote 13 - Planning & Development		71	71	71	71	71	71	71	71	71	71	71	72	853	903	958
Vote 14 - Health													-	-	-	-
Vote 15 - Other		362	254	255	260	263	255	238	257	268	255	243	246	3 156	3 342	3 543
Total Expenditure by Vote		17 011	18 002	19 163	17 924	18 025	18 833	18 902	18 002	18 051	17 936	17 893	17 132	216 870	232 822	249 002
Surplus/(Deficit) before assoc.		14 808	(4 471)	(5 737)	(6 095)	12 320	(7 115)	(7 538)	(3 192)	14 255	(2 074)	(2 010)	(356)	2 798	12 455	33 702
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	14 808	(4 471)	(5 737)	(6 095)	12 320	(7 115)	(7 538)	(3 192)	14 255	(2 074)	(2 010)	(356)	2 798	12 455	33 702

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

NC085 Tsantsabane - Supporting Table SA28 Consolidated budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Multi-year expenditure to be appropriated	1															
Vote 1 - Executive & Council													-	-	-	-
Vote 2 - Budget & Treasury													-	-	-	-
Vote 3 - Corporate Services													-	-	-	-
Vote 4 - Community & Social Services													-	-	-	-
Vote 5 - Sport & Recreation													-	-	-	-
Vote 6 - Public Safety													-	-	-	-
Vote 7 - Road Transport		750	1 100	2 670	2 340	1 650	650	889	1 350	1 556	895	914	976	15 740	16 406	17 109
Vote 8 - Electricity													-	-	5 000	10 000
Vote 9 - Water		375	1 485	3 656	3 302	3 201	980	1 258	1 880	2 250	1 458	880	575	21 300	15 840	9 120
Vote 10 - Waste Water Management													-	-	-	-
Vote 11 - Waste Management													-	-	-	-
Vote 12 - Housing													-	-	-	-
Vote 13 - Planning & Development													-	-	-	-
Vote 14 - Health													-	-	-	-
Vote 15 - Other													-	-	-	-
Capital multi-year expenditure sub-total	2	1 125	2 585	6 326	5 642	4 851	1 630	2 147	3 230	3 806	2 353	1 794	1 551	37 040	37 246	36 229
Single-year expenditure to be appropriated																
Vote 1 - Executive & Council					125	145	115						(0)	385	37	39
Vote 2 - Budget & Treasury										45			49	94	-	-
Vote 3 - Corporate Services			250	250	200	100	93						0	893	579	614
Vote 4 - Community & Social Services								50	23				-	73	134	144
Vote 5 - Sport & Recreation													-	-	-	-
Vote 6 - Public Safety		115	165	178	154	58							-	670	1 327	1 085
Vote 7 - Road Transport													-	-	-	-
Vote 8 - Electricity													-	-	-	-
Vote 9 - Water													-	-	-	-
Vote 10 - Waste Water Management													-	-	-	-
Vote 11 - Waste Management													-	-	-	-
Vote 12 - Housing													-	-	-	-
Vote 13 - Planning & Development													-	-	-	-
Vote 14 - Health													-	-	-	-
Vote 15 - Other													-	-	-	-
Capital single-year expenditure sub-total	2	115	415	428	479	303	208	50	23	45	-	-	49	2 115	2 077	1 882
Total Capital Expenditure	2	1 240	3 000	6 754	6 121	5 154	1 838	2 197	3 253	3 851	2 353	1 794	1 600	39 155	39 323	38 111

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC085 Tsantsabane - Supporting Table SA29 Consolidated budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		–	25	125	125	80	30	350	300	180	100	57	0	1 372	616	654
Executive and council			25	125	125	80	30						(0)	385	37	39
Finance and administration								350	300	180	100	57	0	987	579	614
Internal audit													–	–	–	–
<i>Community and public safety</i>		50	75	150	155	240	–	–	–	–	–	–	73	743	1 461	1 229
Community and social services													73	73	134	144
Sport and recreation													–	–	–	–
Public safety		50	75	150	155	240							(0)	670	1 327	1 085
Housing													–	–	–	–
Health													–	–	–	–
<i>Economic and environmental services</i>		1 311	1 452	1 432	1 515	1 587	1 752	1 287	1 298	1 358	1 545	1 203	–	15 740	16 406	17 109
Planning and development													–	–	–	–
Road transport		1 311	1 452	1 432	1 515	1 587	1 752	1 287	1 298	1 358	1 545	1 203	–	15 740	16 406	17 109
Environmental protection													–	–	–	–
<i>Trading services</i>		1 587	1 895	2 221	2 452	2 385	2 315	2 205	2 245	1 878	1 558	559	–	21 300	20 840	19 120
Energy sources													–	–	5 000	10 000
Water management		1 587	1 895	2 221	2 452	2 385	2 315	2 205	2 245	1 878	1 558	559	–	21 300	15 840	9 120
Waste water management													–	–	–	–
Waste management													–	–	–	–
<i>Other</i>													–	–	–	–
Total Capital Expenditure - Functional	2	2 948	3 447	3 928	4 247	4 292	4 097	3 842	3 843	3 416	3 203	1 819	73	39 155	39 323	38 111
Funded by:																
National Government		12 580				4 580				3 380			–	20 540	21 406	27 109
Provincial Government													–	–	–	–
District Municipality													–	–	–	–
Other transfers and grants													–	–	–	–
Transfers recognised - capital		12 580	–	–	–	4 580	–	–	–	3 380	–	–	–	20 540	21 406	27 109
Public contributions & donations		5 000				5 000				5 000			1 500	16 500	15 840	9 120
Borrowing													–	–	–	–
Internally generated funds		176	176	176	176	176	176	176	176	176	176	176	179	2 115	2 077	1 882
Total Capital Funding		17 756	176	176	176	9 756	176	176	176	8 556	176	176	1 679	39 155	39 323	38 111

1.17 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.18 Capital expenditure details

The capital budget is attached as a separate document.

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was not fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has improved. The CFO needs to take Actions to comply with above. The Municipalities website is active as and needs to publish the information on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five (5) interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA. Additional staff needs to be appointed to help with the compilation of the budget, Treasury reports and the AFS.
4. Audit Committee
Tsantsabane Municipality will make use of the Gatelopele Municipalities audit committee until a permanent committee has been appointed.
5. Service Delivery and Implementation Plan
The draft SDBIP document is available and will be approved as required by the MFMA. The draft SDBIP will be finalised after approval of the 2017/18 MTREF in April/May 2017 and will be directly aligned and informed by the 2016/17 MTREF.
6. Annual Report
The 2015/16 Annual Report is compiled in terms of the MFMA and National Treasury requirements. The Oversight Committee needs to review the Annual Report and did make recommendations to the Council. Council will consider the recommendations during the April 2017 council meeting.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is on-going.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.19 Municipal Manager's quality certificate

I, HG Mathobela, Municipal Manager of Tsantsabane Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mr HG Mathobela

Municipal Manager of Tsantsabane Municipality

Signature : _____

Date :27/03/2017